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TRANSFORMATIONAL LEADERSHIP EFFECTIVENESS IN IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY STRATEGIES: AN EMPIRICAL STUDY OF THE LARGEST FIRMS IN PORTUGAL

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RESUMO

Do ponto de vista conceptual, a liderança transformacional tem sido apontada como fundamental para o desenvolvimento de estratégias focadas no interesse comum da comunidade, incluindo a ética como elemento necessário na análise estratégica. Estudando estas dinâmicas, podemos construir uma estrutura de análise, que incorpore as empresas como agentes principais no processo de desenvolvimento sustentável. Este trabalho de investigação tem por objectivo principal analisar o impacto que o constructo completo de liderança transformacional, com a inclusão da integridade ética, tem ao nível da implementação de estratégias de responsabilidade social. Para o efeito, foi realizado um inquérito às maiores empresas portuguesas, durante o segundo trimestre deste ano. Foram recolhidos 50 questionários preenchidos pelas empresas participantes. De acordo com as expectativas, as evidências empíricas apontaram para uma relação positiva significativa entre liderança transformacional e a orientação estratégica para a responsabilidade social. Destacando, duas das dimensões da liderança transformacional: inspiração motivacional e consideração individual como estando positivamente associadas à implementação de estratégias de responsabilidade social. Surpreendentemente, não foi encontrada qualquer relação, com significado, entre integridade ética e responsabilidade social. Estes resultados constituem argumentos que podem ser utilizados pelos investigadores para incluírem a liderança transformacional, com ênfase nas duas dimensões: inspiração motivacional e consideração individual, nos estudos que realizarem sobre responsabilidade social. Adicionalmente, os gestores podem aprender com estes exemplos e desenvolverem as suas capacidades de autênticos líderes transformacionais, incorporando a responsabilidade social como um valor estratégico fundamental no seio das suas organizações.

Palavras-Chave: liderança, liderança transformacional, ética, integridade, responsabilidade social nas organizações

ABSTRACT

Conceptually, transformational leadership has been appointed as an enhancer to the development of strategies focused in the common interests of a community, including ethics as a necessary ingredient to the strategic analysis. By examining these dynamics, a comprehensive framework can be withdrawn, where firms have an important role as drivers for sustainable development. This research study aims to explore the impact of the full range of transformational leadership with the inclusion of ethical integrity in determining the effect to which firms implement corporate social responsibility strategies. A survey was conducted on the second quarter of the year focusing on the largest firms in Portugal. Thus, we received data from 50 participating firms using a self-completion questionnaire. According with our expectations, empirical evidence showed that transformational leadership is significantly positive related with the firm strategic orientation to corporate social responsibility. Moreover, we found that two dimensions of transformational leadership: inspirational motivation and individualized consideration were positively associated with corporate social responsibility strategies. Surprisingly, ethical integrity was not found to be linked with the implementation of corporate social responsibility. These results will provide additional arguments for researchers to include transformational leadership, with emphasis in inspirational motivation and individualized consideration dimensions, when pursuing studies focused in social responsibility strategies. Additionally, practitioners can learn from these examples and develop themselves into authentic transformational leaders incorporating corporate social responsibility as a core strategic value inside their firms.

Keywords: leadership, transformational leadership, ethics, integrity, corporate social responsibility.

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PREFACE

Much of my life has been a quest to understand the dominant characteristics of great charismatic leaders such as Mohandas Gandhi, Nelson Mandela and Martin Luther King. For the last five years, I've been reading their biographies, autobiographies, writings and discourses, trying to identify the main drivers for their greatness. Undoubtedly, these leaders changed the world with their vision, passion, determination and resilience.

Two years ago, when I read the seminal book of James MacGregor Burns "Leadership" (Pulitzer Prize winner), I was confronted for the first time with the neo-charismatic paradigm in leadership, which has been deeply developed by scholars over the last twenty years. This concept of transformational leadership has been presented as the most effective for the firm's performance and suggested as having an important role in the development of the common interests of a community.

This dissertation is merely a first step in that quest, aiming to improve understanding and to contribute to the debate on transformational leadership theory, and moreover a personal statement and commitment to further pursue in this research direction during the next years, in the course of the doctoral program I've just initiated.

Enjoy.

*For my three little daughters Joana, Filipa e Inês,
May this dissertation inspire you to become authentic leaders...*

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My greatest thanks go to my three daughters for reminding me everyday who I am. You three are my alter egos: Inês, with her strong commitment and effort beyond any expectations; Filipa, with her strong will, she is a true force of nature and Joana, with her optimism and joy of living. Since the day you were born, eleven years ago, I was really fortunate to experience such an intensive motherhood, enabling me to “grow” as a person and to become the human being I am today. You are my source of inspiration and the reason why I'm pursuing this quest.

And once again my beloved husband, Carlos, gave me endless support and strong encouragement to pursue my quest, even with his own personal sacrifice, after the

hundreds of hours I spent during my holidays and weekends, demonstrating me what a real loving partner he is. I will never forget this.

Finally, I would like to give a very special thank to my dearest mother and father, my unconditional supporters. Unfortunately, in the course of my work for the thesis I've lost my father, but I am quite positive that he would be very proud with the final result.

CHAPTER 1 – INTRODUCTION

*Leaders cannot be effective in the long run
if they are simply power holders and fail to see
the moral and ethical implications of their work.*

James MacGregor Burns, “Transforming Leadership”

1.1 STATE OF THE ART

Leadership has captured the attention of scholars for long, based on different examples of leaders from politics, religion and science, often regarded as charismatic authorities. Over the last fifty years, the organizational leadership theory produced several approaches: democratic versus autocratic, directive versus participative, task versus relationship, initiation versus consideration and path-goal theory; due to the growing inadequacy of this approaches to explain some organizational phenomena of the 80's, a new paradigm emerged with the new theories of leadership: charismatic and transformational leadership (Weber, 1947; Bass, 1985; Bryman, 1992).

Leadership values, attributes and behaviours are considered to affect the firms' strategic decision-making and its implementation (House and Aditya, 1997). There is a growing trend for integration of the micro-level behaviour with the macro-level phenomena (House *et al.*, 1995), which might explain the upcoming of the neo-charismatic paradigm. First, these leaders are able to articulate visions based on strongly-held ideological values and powerful imagery, which will stimulate innovative solutions for major problems, and fosters radical change and high performance expectations. Second, these leaders generate high degrees of follower confidence, motivation, identity, trust in the leader, and emotional appeal (House and Aditya, 1997).

One example of this neo-charismatic paradigm is the transformational leadership theory, which was introduced by Burns (1978) and deeply developed by Bass (1985) and other

authors (Avolio *et al.*, 1999; Bass and Avolio, 1992; Bass and Steidlmeier, 1999).

Since 1953 when Bowen's seminal book *Social Responsibilities of the Businessman* was published, a long discussion about corporate social responsibility followed (Garriga and Melé, 2004). Several approaches have emerged, though the far most important was stakeholder theory (Freeman, 1984). This theory provided a "new way of thinking about strategic management" (Freeman, 1984, p. vi), incorporating a holistic perspective of the firm. The main stakeholders of the firm act as internal and external forces affecting the accomplishment of goals and strategic plans, therefore managers who use this framework will be able to manage their organizations more effectively (Freeman, 1984).

1.2 SCOPE OF THE STUDY

This study has an interdisciplinary nature touching fields from several social sciences like psychology, philosophy and economics. The necessary focus in the different scientific fields were in the area of psychology: organizational behaviour and especially leadership behaviour; in the area of philosophy: ethics of leadership and finally in the area of economics: management science focusing in strategic management within a stakeholder perspective.

1.3 PURPOSE OF THE STUDY

In light of the previous considerations, the purpose of this research study is to explore the impact of the several dimensions of CEO transformational leadership and of a fifth dimension of ethical integrity in determining the effect to which their firms implement corporate social responsibility strategies.

So, generally the aims of the study are:

- To improve understanding of transformational leadership theory and CSR issues.

- To determine the importance of moral and ethical values of the CEO as an additional dimension for the transformational leadership construct.
- To contribute to the research field of organizational leadership theory, especially for the full range leadership theory.

1.4 JUSTIFICATION FOR THE RESEARCH

The current world crisis has raised once again concerns regarding the lack of moral and ethical values from some of the leaders in the investment banking business. On the other hand, the emerging importance of corporate social responsibility and sustainable development are improving consciousness for social, economic and environmental dimensions, the so called “triple bottom line” (Elkington, 1997) inside the organizations. These issues are of most importance for practitioners and scholars in order to better understand these current phenomena.

The transformational and transactional leadership conceptual model of Bass (1985) has being improved following several empirical research studies conducted with the *Multifactor Leadership Questionnaire* (Bass, 1985; Avolio *et al.*, 1999; Bass and Avolio, 1992; Bass and Steidlmeier, 1999). Though, there are still some criticisms by several authors regarding the accurate definition of the main constructs associated with the model (Goodwin *et al.*, 2001; Den Hartog *et al.*, 1997; Carless, 1998; Tejeda *et al.*, 2001; Yukl, 1999). Further empirical research is advised to define more accurately the leadership constructs.

Additionally, little systematic research has related a socio-moral dimension to leadership in organizations and there has been virtually no systematic theoretical or empirical analysis of the relationship between characteristics of CEO leadership and

CSR, which may be regarded as good arguments for future research on these issues (Turner *et al.*, 2002; Waldman *et al.*, 2006).

Finally, as a personal statement of interest in this area, this research study aims to improve knowledge in this rather complex and polemic theoretical background of leadership and social responsibility in order to give a small contribution to a general theory, which will serve scholars and practitioners.

1.5 STRUCTURE OF THE STUDY

There are six Chapters in this study. The current Chapter has introduced the theme *Transformational Leadership Effectiveness in Implementing CSR Strategies*, its main purpose and justification for the research study.

Chapter Two will present the literature review with the main theoretical background in transformational leadership, ethical integrity of leadership and corporate social responsibility.

In Chapter Three, the research questions following the proposed conceptual model are introduced and it is provided the theoretical linkage between the variables of the model, which present the necessary arguments for the formulation of hypothesis considered in the study.

Moreover, the detailed research design and methodology are explained in Chapter Four with a special focus on the sampling, structure of the questionnaire and scales utilized to measure transformational leadership qualities, ethical integrity of the leader and strategic orientation to CSR.

Data analysis and statistical tests are presented in Chapter Five, where the main findings are thoroughly discussed and compared with previous theoretical and empirical studies.

The discussion in this Chapter provides the background to draw the main conclusions, managerial implications, limitations of the study and further research presented in the last Chapter.

CHAPTER 2 – LITERATURE REVIEW

2.1 INTRODUCTION

As mentioned in the previous chapter, leadership theory was strongly developed in the last twenty years, with the surge of the neo-charismatic paradigm. The first section of this chapter presents the conceptual model of transformational leadership, as one of the most significant approaches to leadership theory. An overview of each component of the transformational leadership construct follows in the second section, while the ethical integrity of the leader is thoroughly discussed in section three. Finally, a detailed literature review of corporate social responsibility theory is presented exploring several definitions, which were classified according with five dimensions.

2.2 MODEL OF TRANSFORMATIONAL AND TRANSACTIONAL LEADERSHIP

The concept of transformational leadership was first introduced by Burns (1978) and deeply developed by Bass (1985), who has presented this concept as being the most effective for the firm's performance: "to achieve follower performance beyond the ordinary limits, leadership must be transformational" (Bass, 1985, p. xiii).

This study will use the model of transformational and transactional leadership of Bass (1985) as the basic model, with a focus in the first type of leadership, which is transformational leadership.

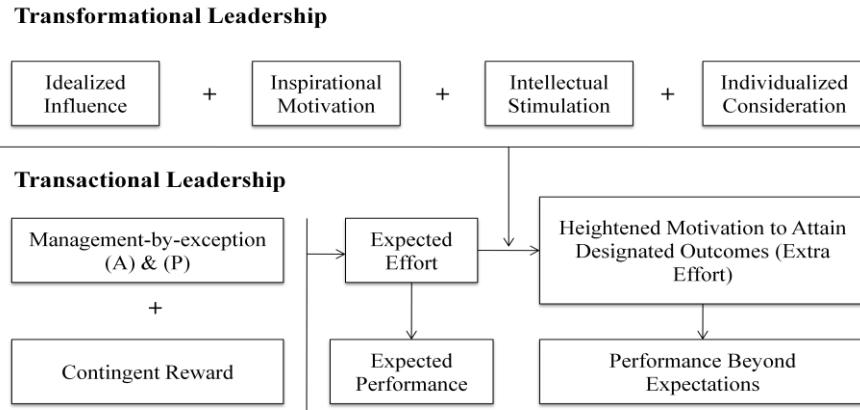


Figure 2-1 The Conceptual Model of Bass.

Source: Bass and Avolio (2008, p. 21)

For Bass (1985), transactional leadership can be described in his relations with subordinates as the one that recognizes their needs and wants and tries to satisfy those needs and wants if their performance warrants it; it exchanges rewards and promises of reward for the subordinates effort and is responsive to the subordinates self interest if they can be met by getting the work done.

Transformational leader is the one who motivates the subordinates to do more than it is originally expected, by raising the level of awareness (the level of consciousness about the importance and value of designated outcomes, and ways of reaching them), by getting them to transcend their own self interest for the sake of the team, organization, or larger polity, and finally by altering the need level on expanding their portfolio of needs and wants (Bass, 1985).

Despite the dichotomised nature of Bass model of transactional versus transformational leadership, this research study will focus merely on the latter due to the fact that transactional leadership applies to supervisory-level leadership behaviour and subordinate performance, rather than the promotion of such high-level organizational phenomena such as CSR (Waldman *et al.*, 2006).

2.3 TRANSFORMATIONAL LEADERSHIP

Bass (1985) has developed four dimensions to conceptualize transformational leadership:

2.3.1 Idealized Influence / Charisma

Transformational leaders arouse and inspire others with whom they work with a vision of what can be accomplished with extra personal effort. Those subordinates view the leaders in an idealized way, identifying themselves with the leaders and their vision, and as such these leaders wield much power and influence over their followers (Bass and Avolio, 2008).

Originally, this first dimension was referred as charisma (Bass, 1985; Hater and Bass, 1988; Avolio *et al.*, 1999) based on Weber's charismatic definition as a religious saviour, an innovative prophet with personal magnetism, promoting a special doctrine, provoking great devotion and unqualified belief in the man and his mission (Weber, 1947). Although in most recent works Bass changed it to idealized influence (Bass, 1999; Bass *et al.*, 2003; Bass and Avolio, 2008) for several reasons. First, charismatic was a term used in different contexts with different meanings. Second, charisma had a strong association with dictatorship leaders. Third, for other researchers such as Shamir *et al.* (1993), Conger and Kanungo (1994), charisma was an all-inclusive term for transformational leadership, taking all the four dimensions considered by Bass (1999).

2.3.2 Inspirational Motivation

Inspirational leaders articulate shared goals and mutual understanding of what is right and important. These leaders provide visions of what is possible and how to attain them, enhancing meaning and promoting positive expectations about what needs to be accomplish (Bass and Avolio, 2008).

The inspirational influence is emotional; it employs or adds non-intellectual, emotional qualities, appealing to feelings, sentiments, and emotions (Bass, 1985).

2.3.3 Intellectual Stimulation

Transformational leaders help others to think old problems in new ways, they are encouraged to question their own beliefs, assumptions, and values, and when appropriate, those of the leader, which may be outdated or inappropriate for solving current problems. As a consequence, followers develop the capacity to solve future problems unforeseen by the leader, and learn to be creative and innovative. Leaders become intellectually stimulating to the extent that they can discern, comprehend, conceptualize, and articulate to their followers the opportunities and threats facing their organization, as well as its strengths, weaknesses, and comparative advantages, the status quo is questioned and new, creative methods of accomplishing the organization's mission are explored (Bass and Avolio, 2008).

2.3.4 Individualized Consideration

Leaders attempt to not only recognize and satisfy their followers' current needs, but also to expand and elevate those needs trying to maximize and develop their full potential. In order to be successful in this task, leaders will provide coaching and empowering for their followers, turning them into potential leaders (Bass and Avolio, 2008).

2.4 ETHICAL INTEGRITY OF LEADERSHIP

Burns (1978) and Bass (1985) have a concept of transformational leadership very similar, although Bass diverge from Burns regarding the moral level of the transformational leader. In fact, Bass (1985, p. 20) refers that Burns "saw the transformation as one that was necessarily elevating, putting his emphasis on whether society ultimately benefits from them". From Bass (1985) point of view,

transformational leadership is not necessarily beneficial leadership, instead the actions could be costly to all concerned rather than beneficial.

For Bass, a leader such Hitler could be considered as a transformational leader, while for Burns, it would be unthinkable to do so: “transforming leadership... occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality” (Burns, 1978, p. 20).

Although in Bass’ last studies, a distinction is made between “truly transformational leaders” and “pseudo transformational leaders”, being the first ones, those who share a genuine interest in others welfare, while the later are wholly self-interested (Bass and Steidlmeier, 1999; Bass and Avolio, 2008).

Hence, leaders to be “truly transformational” must motivate followers to voluntarily indentify with the organization, its standards of conduct and willingly fulfil its purpose. This form of leadership transforms followers into leaders, who will take charge of their own ethical behaviour (Howell and Avolio, 1992).

Furthermore, moral raises the level of human conduct and ethical aspiration and has a transforming effect on leader and follower (Burns, 1978). He considers three criteria for moral implications: first, modal values of honour and integrity; second, end-values of equality and justice; and finally the impact on the well-being of the persons whose lives they touched.

Transformational leadership is associated with post-conventional stages of moral development, which uses universal ethical principles to solve dilemmas serving the common good (Graham, 1995), although not many leaders evolve to this stage, even some will develop a “shadow” (negative) side (Lichtenstein *et al.*, 1995). This provides

a parallel for the distinction between “truly transformational leaders” and “pseudo transformational leaders”.

Additionally, transformational leadership is possible when leaders’ end values such as integrity, honour, and justice are adopted by followers (Kuhnert and Lewis, 1987) provoking the “cascading effect” (Bass and Avolio, 2008) inside the organization.

Turner *et al.* (2002) found that managers scoring with the highest level of moral-reasoning showed more transformational behaviours. Leaders to be optimally effective should be perceived by followers as displaying a level of integrity according with the followers’ expectations (Craig and Gustafson, 1998) while a moderate to strong positive relation was found between perceived integrity and transformational leadership (Parry and Proctor-Thomson, 2002).

For this study, it was applied a rule-based utilitarian approach regarding the classification of leaders ethical behavior, evaluating acts according to the consequences they produce (Craig and Gustafson, 1998).

2.5 CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR are actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond what is required by law (McWilliams and Siegel, 2000, 2001; Waldman *et al.*, 2006).

Other definitions of CSR are presented in Table 2-1, which were classified by Dahlsrud, A. (2008), according with five dimensions: voluntariness, stakeholder, environmental, economic and social.

Table 2-1 Definitions of CSR

Definition Source	Definition	Dimensions
Hopkins, 1998	CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.	Voluntariness Stakeholder Environmental Economic
Hopkins, 2003	CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. “Ethically or responsible” means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.	Voluntariness Stakeholder Social Economic
Jones, 1980	CSR is defined as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership.	Voluntariness Stakeholder
McWilliams and Siegel, 2001	Actions that appear to further some social good, beyond the interests of the firm and that which is required by law.	Voluntariness Social
Kilcullen and Kooistra, 1999	CSR is the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.	Voluntariness
Piacentini <i>et al.</i> , 2000	CSR is the voluntary assumption by companies of responsibilities beyond simple obedience to the laws of the state.	Voluntariness
Reder, 1994	An all encompassing notion, CSR refers to both the way a company conducts its internal operations, including the way it treats its work force, and its impact on the world around it.	Stakeholder Social Environment
Foran, 2001	CSR can be defined as the set of practices and behaviours that firms adopt towards their labour force, towards the environment in which their operations are embedded, towards authority and towards civil society.	Stakeholder Social Environmental
Frederick <i>et al.</i> , 1992	CSR can be defined as a principle stating that corporations should be accountable for the effects of any of their actions on their community and environment.	Stakeholder Social Environmental
Van Marrewijk, 2003	In general, corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of	Voluntariness Stakeholder Social

	social and environmental concerns in business operations and in interactions with stakeholders.	Environmental Economic
Van Marrewijk, 2001	Companies with a CSR strategy integrate social and environmental concerns in their business operations and in their interactions with their stakeholders and demonstrate openly their triple P performances.	Stakeholder Social Environmental Economic

Source: Dahlsrud, A. (2008, p. 7-11)

Companies are increasingly held responsible for the conditions under which products are being produced (Waldman *et al.*, 2006). Stakeholders, including employees, customers, suppliers, government, community groups and shareholders show an increasing interest in this subject. Organizations consider the interest of society in using the concept of CSR, incorporating the creation of social, economic and environmental value as a strategic core value.

Several theories have tried to explain the use of CSR as an instrument. Agency theory refers that managers use CSR for their own profit (Wright and Ferris, 1997). Resource-based view (Russo and Fouts, 1997) and theory of the firm (McWilliams and Siegel, 2000, 2001) refers the use of CSR as a way to improve firm profitability. Finally, the stakeholder theory states that there is an optimal level of CSR, which will maximize profit and satisfy demand for CSR from the stakeholder groups (McWilliams and Siegel, 2000, 2001).

Although these theories have not considered the personal characteristics of CEO's as a factor that may also affect the extent to which firms engage in CSR (Waldman *et al.*, 2006).

2.6 CONCLUSION

This chapter provides the theoretical background for the present study, presenting the conceptual model of transformational leadership as the base model. The four

dimensions of the transformational leadership construct were covered as well as a linkage of ethical integrity with this construct. A review of the prevalent theories of corporate social responsibility was also presented.

In the next chapter, the main research questions are discussed and a potential linkage between the variables of the proposed conceptual model is assessed from a theoretical point of view.

CHAPTER 3 – RESEARCH QUESTIONS AND HYPOTHESIS

3.1 INTRODUCTION

The problem statement and the subsequent research questions are introduced in this chapter. In the first section, the proposed conceptual model based in the most relevant theoretical frameworks of transformational leadership is presented. Throughout the other sections, the main constructs of the model and their linkages are revisited from a theoretical point of view, establishing the support for the hypothesis raised.

3.2 RESEARCH QUESTIONS AND PROPOSED CONCEPTUAL MODEL

This research project aims to answer the following problem:

What is the relation between the four transformational leadership dimensions of Bass: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, and a fifth dimension of ethical integrity of the leader, with the firm strategic orientation to CSR?

As main questions we have:

Question 1 – What is the relation between CEO transformational leadership and the firm strategic orientation to CSR?

The relevant sub-questions are:

Question 1a - What is the relation between CEO idealized influence and the firm strategic orientation to CSR?

Question 1b – What is the relation between CEO inspirational motivation and the firm strategic orientation to CSR?

Question 1c – What is the relation between CEO intellectual stimulation and the firm strategic orientation to CSR?

Question 1d – What is the relation between CEO individualized consideration and the firm strategic orientation to CSR?

Question 2 – What is the relation between CEO ethical integrity and the firm strategic orientation to CSR?

Based on the problem statement and the subsequent research questions, it is proposed the conceptual model in Figure 3-1, which is based on the most relevant theoretical frameworks of transformational leadership and strategic CSR.

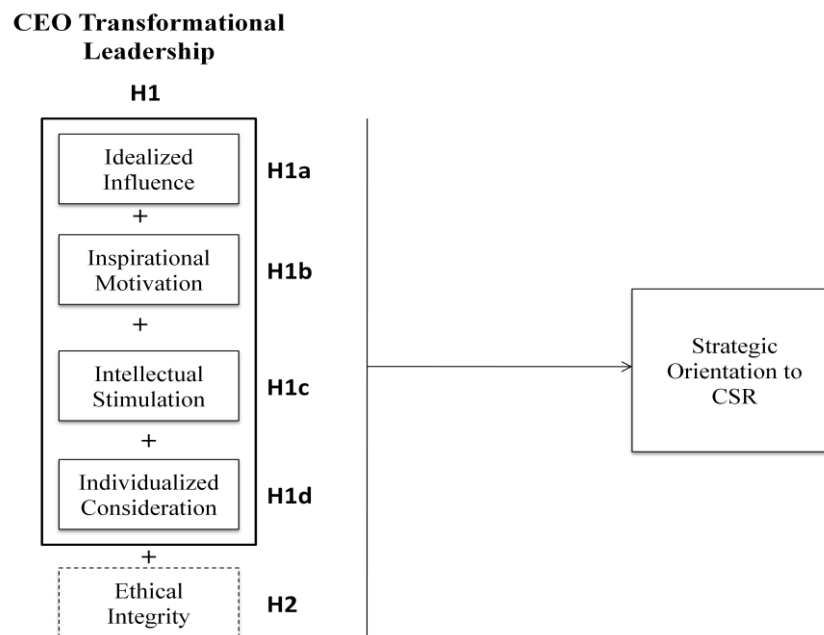


Figure 3-1 Proposed Conceptual Model based on the frameworks of Bass and Avolio (2008), Turner *et al.* (2002) and Waldman *et al.* (2006)

This research project can be seen as a causal relation between the variables identified in Table 3-1.

Table 3-1 Variables Considered in the Model

Independent Variables	Dependent Variable
<ul style="list-style-type: none">• CEO Transformational Leadership<ul style="list-style-type: none">○ Idealized Influence○ Inspirational Motivation○ Intellectual Stimulation○ Individualized Consideration• CEO Ethical Integrity	<ul style="list-style-type: none">• Strategic Orientation to CSR

According with this conceptual model there is to be assessed a potential linkage between:

- CEO Transformational Leadership and CSR
 - Idealized Influence (Charisma) and CSR
 - Inspirational Motivation and CSR
 - Intellectual Stimulation and CSR
 - Individualized Consideration and CSR
- CEO Ethical Integrity and CSR

3.3 TRANSFORMATIONAL LEADERSHIP AND CSR

Existing literature on CSR has provided a linkage between transformational leadership and the firm orientation to CSR. For Bass and Steidlmeier (1999) leadership should be regarded in the context of stakeholder theory (Freeman, 1984), where the main firm stakeholders (workers, customers, suppliers, local communities, governments) have a “legitimate strategic and moral stake” (Bass and Steidlmeier 1999, p.14) in the firm. Furthermore, they suggest that only transformational leadership can help “people develop the common interests of a community beyond the aggregate interests of its individuals.”

Transformational leadership is associated with the last stages of moral development, the post-conventional, where leaders take all stakeholders' interests into account and participate in organizational governance based on universal ethical principles (Graham, 1995).

Waldman *et al.* (2006) used transformational theory to explore the role of CEOs in determining the extent to which their firms engage in CSR. They studied CEO charismatic leadership and CEO intellectual stimulation and found that the latter was “significantly associated with the propensity of the firm to engage in strategic CSR” (Waldman *et al.*, 2006, p. 1703).

This theoretical background raises the need to test empirically the relationship between transformational leadership construct with its four dimensions: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration with the firm orientation to CSR. Therefore, it is expected that:

Hypothesis 1 –CEO transformational leadership and the firm strategic orientation to CSR have a positive relationship.

3.3.1 Idealized Influence and CSR

For transformational leaders, its charisma or idealized influence “arouse and inspire others with whom they work with a vision of what can be accomplished with extra personal effort” (Bass and Avolio, 2008, p.28). This leader calls for “universal brotherhood” (Bass and Steidlmeier, 1999, p. 5), his “shared perspective and idealized vision makes him/her a likable and honourable hero worthy of identification and imitation” and has “a high need for environmental sensitivity for changing the status quo” (Conger and Kanungo, 1994, p. 641).

Shamir *et al.* (1993) suggested that charismatic leaders engage followers' self-concepts with greater social causes. "Social identity theory may provide a broader framework for better understanding linkages between charismatic leadership, identification processes and follower pursuit of CSR" (Waldman *et al.*, 2006, p. 1708).

Based on the assumption that "charisma translates into moral leadership which, in turn, engenders CSR", Waldman *et al.* (2006, p. 1708) tested the relationship between CEO charismatic leadership and the propensity of firms to engage in CSR. Although findings showed that strategically-orientated CSR was not significantly related to charismatic leadership. The authors advise further research on this issue, especially with a focus on the moral and ethical qualities of the leaders (Waldman *et al.*, 2006, p. 1720).

Despite, the previous findings it is expected to find a positive relationship based on the fact that ethical integrity was included in this study. In sum, it is expected that:

Hypothesis 1a – CEO idealized influence and the firm strategic orientation to CSR have a positive relationship.

3.3.2 Inspirational Motivation and CSR

For Bass and Avolio, (2008, p.28) "inspirational leaders articulate, in simple ways, shared goals and mutual understanding of what is right and important." Furthermore, "the inspirational appeals of the authentic transformational leader tend to focus on the best in people – on harmony, charity and good works; authentic transformational leader are inwardly and outwardly concerned about the good that can be achieved for the group, organization, or society for which they feel responsible" (Bass and Steidlmeier 1999, p. 5-6).

Conceptually, there can be established a link between inspirational motivation and CSR as stated by the above mentioned authors, although findings from some empirical

studies using the MLQ found a lack of independence of these two factors: idealized influence and inspirational motivation (Bycio *et al.*, 1995; Lowe *et al.*, 1996), which was the main reason for Waldman *et al.*, (2006) not including this second dimension in their study.

Based on the assumption that idealized influence and inspirational motivation “were highly correlated but conceptually different” (Bass and Avolio, 2008, p. 45) and encouraged by Waldman *et al.*, (2006, p. 1721) to pursue research in a “broader array of leadership components and practices”, it was decided to investigate also that:

Hypothesis 1b – CEO inspirational motivation and the firm CSR strategic orientation have a positive relationship.

3.3.3 Intellectual Stimulation and CSR

Intellectually stimulating leaders encourage followers to think about problems in new ways, questioning their beliefs, assumptions and values, developing the capacity to solve future problems in a creative and innovative way (Bass and Avolio, 2008). In addition, it is through intellectual stimulation of followers that the status quo is questioned and that new creative methods of achieving the organization’s mission are explored (Bass, 1985).

Strategic leadership theory provided a framework where values, experiences, and knowledge of leaders impact the strategic decisions made by those leaders, which in turn affect organizational performance. In fact, the cognitive or intellectual capacity of leaders has been emphasized as a main component of strategic leadership, especially at higher levels of management (Boal and Hooijberg, 2001).

Moreover, Waldman *et al.*, (2006, p. 1709) conjectures that “intellectually stimulating leaders will use conceptual capacity to scan and think broadly about the environmental

context and the manner in which a wide variety of organizational stakeholder may be served; they realize that success in such an environment requires strong relationships with a variety of key stakeholders, as well as a perspective that includes CSR.”

Finally, Waldman *et al.* (2006) in a empirical study of 56 US and Canadian firms found a significant relation between CEO intellectual stimulation and the propensity of the firm to engage in strategic CSR.

In light of the previous arguments, it is suggested that:

Hypothesis 1c – CEO intellectual stimulation and the firm strategic orientation to CSR have a positive relationship.

3.3.4 Individualized Consideration and CSR

The transformational leader treats each follower as an individual and provides, coaching, mentoring and growth opportunities in order to expand and elevate the followers’ needs in an attempt to maximize and develop their full potential (Bass, 1985).

In this process the leader develops followers into effective transformational leaders, the so called “cascading effect” of Bass and Avolio (2008) or “falling dominoes effect” of Bass *et al.* (1987) enabling this practice also with their own followers inside the organization. Several examples are mentioned by Bass and Avolio (2008) of organizations where the CEO applying this “cascading effect” received input and feedback from the followers when defining the organization’s strategic plan.

Despite the individual-level focus of this dimension mentioned by Waldman *et al.*, (2006), which would prove difficult to link to high-level organizational phenomena, such as strategic CSR, the “cascading effect” establishes a probable linkage between

these two dimensions: individually considerate CEO and firm CSR strategic orientation.

Furthermore, individualized consideration underscores the necessity of altruism (Bass and Steidlmeier, 1999), leaders with this component may be perceived as having higher integrity, which might have a symbolic effect on followers to pursue CSR (Waldman *et al.*, 2006).

Finally, leaders when recognizing and elevating the followers' needs into self-actualization (last stage in Maslow's - Hierarchy of Need's) might provide the necessary linkage to the organizations' mission when pursuing the "common good" of a community beyond the aggregate individual interests of leaders and followers (Bass and Steidlmeier, 1999; Bass and Avolio, 2008; Waldman *et al.*, 2006).

Based on the above arguments, we expect to find:

Hypothesis 1d – CEO individualized consideration and the firm strategic orientation to CSR have a positive relationship.

3.4 ETHICAL INTEGRITY OF LEADERSHIP AND CSR

Stakeholder theory (Freeman, 1984), which is seen as the dominant paradigm in CSR (McWilliams and Siegel, 2001), refers the necessary alignment between a firm's strategy and social / ethical concerns. Managers must regard ethics as a necessary ingredient to the strategic analysis of "what we stand for" instilling a moral purpose in the employees (Freeman, 1984).

The moral sentiments of top management are reflected in the firm's behaviour when contracting with their stakeholders, showing mutual trust and cooperation, being socially beneficial for the firm and providing a competitive advantage over firms that do not (Jones, 1995; Jones and Wicks, 1999).

Furthermore, stakeholder approach based in ethical theories places ethics as the core component in CSR (Garriga and Melé, 2004). Freeman (1994) mentioned a “normative core”, which is linked to the way firms should be governed and the way managers should act.

Despite the several criticisms of normative stakeholder theory which were demystified and explained by Phillips *et al.* (2003), extensive studies on normative ethical theories were produced in recent years, linking these principles with the formulation of the firm’s strategy. Hence, the possibility that moral aspects of leadership might be more directly linked to CSR (Waldman *et al.*, 2006) needs to be empirically assessed:

Hypothesis 3 –CEO ethical integrity and the firm CSR orientation have a positive relationship.

3.5 CONCLUSION

Leadership characteristics are considered to affect the firm’s strategic decision-making, namely CSR-driven strategies. Therefore, assessing the impact that these leadership characteristics have in implementing CSR strategies is a particularly important research topic, especially considering the lack of empirical studies conducting this approach.

This chapter has presented the theoretical structure for the research questions and hypothesis highlighting the current dominant thinking of transformational leadership and corporate strategy.

The next chapter will describe the research design, the methodology adopted and all the procedures necessary to collect the data.

CHAPTER 4 - RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter presents the research philosophy and methodology used in this study divided in six sections. In the first section, the research philosophy in social sciences is introduced with a focus on the positivism approach. It is also presented the strategy chosen for the research design and the main objectives pursued by the study. The second section describes the sample and the main characteristics of the respondents' profile. The structure of the questionnaire and scales utilized to measure the main constructs are referred in section 3. Finally, in the last sections statistical tests were provided for the normality and linearity of the scales and the main ethical research considerations for this study.

4.2 RESEARCH PHILOSOPHY AND DESIGN

According with Saunders *et al.* (2007), there are three major ways of thinking about research philosophy: epistemology, ontology and axiology, which will be partially presented here, focusing on the aims of this study.

This research study is based on the theoretical framework for transformational leadership, supported by the conceptual model of Bass (1985), which has defined the four dimensions considered here as independent variables, and on the frameworks of Bass and Avolio (2008), Turner *et al.* (2002) and Waldman *et al.* (2006). The proposed conceptual model based on these frameworks was used to draw the main hypothesis and to determine the relationship between variables. The collection of observable data will be used to test and confirm, or refute these hypotheses using statistical analysis. The main philosophy followed is justified in Table 4-1.

Table 4-1 Research Philosophies in Social Sciences

Epistemology – concerns what constitutes acceptable knowledge in a field of study	
Positivism	“...only phenomena that you can observe will lead to the production of credible data...” “...use existing theory to develop hypothesis. These hypothesis will be tested and confirmed, in whole or part, or refuted” “...emphasis will be on quantifiable observations that lend themselves to statistical analysis.”
Ontology – is concerned with nature of reality	
Objectivism	“...position that social entities exist in reality external to social actors.”
Axiology – studies judgements about value	
Own Values	“...research is undertaken in a value-free way.”

Source: Saunders, Lewis and Thornhill (2007, p. 102-110), The Research “Onion”.

Therefore, the research strategy assumes a positivism philosophy, and it will be adopted an objectivism stance regarding the nature of reality: the mere collection of perceived attitudes and behaviours by the respondents regarding their CEO without any intervention from the researcher.

This study is intended to be undertaken in a value-free way, as far as it is possible in a social science research project. Personal values were determinant to choose the research topics of transformational leadership, ethical integrity and CSR and value judgements have guided the interpretation and conclusions of this study, as it “has been argued that our values are the guiding reason of all human action” (Heron apud Saunders *et al.*, 2007, p. 110). Despite these constraints, the researcher tried to be as objective as possible in every stage of the research process.

Moreover there is a genuine concern regarding the purpose and consequences of this study as mentioned by Weaver and Trevino (1994, p. 12) “we expect that both business and the public will expect normative theorists to be concerned with the vicissitudes of

application, and empirical theorists to be self-conscious about the moral purposes of their work”.

The research design strategy followed by this study is described in table 4-2.

Table 4-2 Research Design Strategy

Method	Quantitative
Instrument	Survey; self-completion questionnaires
Preliminary Analysis	Descriptive statistics; normality tests; linearity tests; homocedasticity tests; multicollinearity tests
Data Analysis	Factor analysis; correlation analysis; logistic regression analysis
Reliability Test	Cronbach Alpha
Validity	Multi-statistical tests

4.3 MAIN OBJECTIVES

The study pursues the following main objectives:

Objective 1 – To determine the relation between CEO transformational leadership and its four dimensions of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration towards the firm strategic orientation to CSR.

Objective 2 – To determine the relation between CEO ethical integrity and the firm strategic orientation to CSR.

4.4 SAMPLING

For the scope of this study, the 500 largest firms in Portugal were chosen mainly due to the fact that these firms are more likely to have already adopted CSR strategies. First,

some of these firms are listed in the stock exchange and have an emerging pressure from their shareholders, especially from the institutional investors to be socially responsible. Second, the investment a firm makes in improving the performance in social responsibility will improve their corporate image and reputation, which is a main concern from the largest firms. Third, there is a growing demand from the firm's main stakeholders groups: customers, employees, suppliers, community groups, governments according with McWilliams and Siegel (2001), which will affect mainly the largest firms.

The firms participating were selected from the ranking provided by *Exame 500 Maiores & Melhores* (a database with the 500 largest firms in Portugal) – 2008 Edition.

The sample is well diversified by sector of activity, representing 19 different sectors in a total of 24. Detailed information is showed in Table 4-3. The best response rate by sector was mainly from: transportation equipment (50%), telecommunications (44%) and cleaning services and textiles with 20 per cent each. Predominantly, services and construction accounted for 30 per cent of total responses.

Table 4-3 Sample Size and Responses by Sector

Sector	Sample	Nr. of Responses	% within sector	% within total
Agro-industry	36	2	5.6	4.0
Commodities (water, power and gas)	13	0	0.0	0.0
Cellulose and Paper	8	1	12.5	2.0
Trade	36	2	5.6	4.0
Wholesale and Retail Trade of Vehicles	40	3	7.5	6.0
Wholesale and Retail Trade of Electronic Goods	14	2	14.3	4.0
Construction	36	5	13.9	10.0
Food Retail	28	3	10.7	6.0
Gas Distribution	26	0	0.0	0.0
Printing and other Services Related	10	0	0.0	0.0
Transportation Equipment	4	2	50.0	4.0
Cleaning Services	5	1	20.0	2.0
Accommodation and Eating Out	7	1	14.3	2.0
Wood, Cork and Furniture	8	0	0.0	0.0
Electric Material	15	2	13.3	4.0
Heavy Equipment Manufacturing	40	4	10.0	8.0
Minerals	18	0	0.0	0.0
Pharmaceuticals	23	1	4.3	2.0
Chemicals	20	3	15.0	6.0
Services	66	10	15.2	20.0
Telecommunications	9	4	44.4	8.0
Textiles	5	1	20.0	2.0
Transports and Distribution	26	2	7.7	4.0
Clothing	7	1	14.3	2.0
Total	500	50	10.0	100.0

In order to obtain the participation of these firms, a first letter (Appendix 1) was send to the HR Manager of each firm communicating that the firm was chosen to participate in this empirical study. A second letter (Appendix 2) sent by mail also for the HR Manager followed with six questionnaires, mentioning that these questionnaires should be delivered to the first level management, who have a direct report to the CEO of each firm. After collecting the filled in questionnaires, the HR Manager should returned them. The addresses were obtained from *Exame 500 Maiores and Melhores*.

The survey occurred between April and July of 2009. A total of 170 respondents were obtained corresponding to 50 firms. Non-respondents corresponded to 15 firms, which were not participating for the following reasons: wrong address, bankruptcy process, internal restructuring process, change of CEO.

The respondents' average age is 43 years. A detailed respondents' profile can be found in Table 4-4.

Table 4-4 Number of Responses by Gender, Job Position, Tenure and Hierarchical Level

	Responses	%
Gender		
Male	115	67.6
Female	54	31.8
Missing Values	1	0.6
Job Position		
Member of the Board	15	8.8
General Director	7	4.1
Marketing Director	8	3.5
Sales Director	14	8.2
Financial Director	13	7.6
HR Director	12	7.1
Quality Director	5	2.9
IT Director	5	2.9
Manufacturing Director	5	2.9
Other	82	48.2
Missing Values	6	3.5
Tenure		
Less than 1 year	17	10.0
Between 1 and 5 years	54	31.8
Between 6 and 10 years	33	19.4
Between 11 and 15 years	21	12.4
Between 16 and 20 years	15	8.8
Over 20 years	24	13.5
Missing Values	6	3.4
Hierarchical Level		
Board	14	8.2
Management – 1 st Level	97	57.1
Other	58	34.1
Missing Values	1	0.6
Total	170	100.0

Regarding the number of firms participating, the effective response rate was 10,3%, which can be regarded as low. Although the present worldwide crisis, the current internal restructuring processes that most of the firms are facing and the sensitivity of the survey items assessing the CEO leadership characteristics, might explain the unavailability of the firm's managers in participating in this survey.

From the 170 respondents, 15 questionnaires were rejected due to the lack of consistency regarding the CEO profile in terms of tenure and gender. So the final number of questionnaires was 155, representing 50 firms with an average response rate of 3 questionnaires per firm.

CEO profile in terms of gender and tenure is showed in Table 4-5.

Table 4-5 CEO Profile

	Responses	%
Gender		
Male	47	94.0
Female	3	6.0
Tenure		
Less than 1 year	1	2.0
Between 1 and 3 years	20	40.0
Between 4 and 5 years	12	24.0
Between 6 and 10 years	8	16.0
Over 10 years	9	18.0
Total	50	100.0

In Chapter 5, data analysis is based on the average obtained for the 50 firms regarding every ordinal and scale item in the questionnaire.

Considering two indicators of the firm size, number of employees and total sales, we have a frequency of responses showed in Table 4-6:

Table 4-6 Number of Responses by Firm Size

	Responses	%
Nr of Employees		
Less than 100	9	18.0
Between 101 and 250	10	20.0
Between 251 and 500	5	10.0
Between 501 and 1000	11	22.0
Between 1001 and 2000	9	18.0
Over 2000	6	12.0
Sales (in €)		
Less than 75 million	19	38.0
Between 75 and 100 million	8	16.0
Between 100.000.001 and 200 million	12	24.0
Over 200 million	11	22.0
Total	50	100.0

4.5 QUESTIONNAIRE

The self-completion questionnaire has five sections (Appendix 3). The first section includes the definition of the CEO, two items to classify the CEO in terms of tenure and gender and finally twenty items to assess the perceived transformational leadership characteristics (attitudes and behaviours) of the CEO. Section 2 has thirty one items to assess the CEO's ethical integrity. Section 3 has ten items to measure the perceived orientation of the firm to CSR. Section 4 has the respondents' profile in terms of age, gender, job position, tenure and hierarchical position in the firm. Finally, section 5 asks for information on the firm's performance and has two measures of the firm size: number of employees and total sales.

The scales used in sections 1, 2 and 3 were based on constructs found in existing literature, namely the transformational leadership construct with the Multifactor Leadership Questionnaire (MLQ) of Bass and Avolio, (2008); the leader integrity with the Perceived Leadership Integrity Scale (PLIS) of Craig and Gustafson (1998), and finally the progress of the firm in terms of CSR with the Sustainability Progress

Indicator Comparative Evaluation (SPICE) of Hemming *et al.* (2004). These scales will be further explained in the next section.

The items used in the questionnaire to assess transformational leadership characteristics come of a translated version of the MLQ from English to Portuguese provided by Mind Garden, Inc. (MLQ publishing rights are owned by this firm) which was dully reviewed. The other scales: PLIS and SPICE were first translated from the English to Portuguese and then back translated by the researcher and reviewed by two managers highly fluent in English to avoid ambiguous understandings by the respondents, who were mainly managers/directors working in the participating firms.

Subsequently, a pre-test of the complete version of the questionnaire was made to ten first level managers of different firms. Following their comments and suggestions, some corrections were made to the last version of the questionnaire (Appendix 3).

Several of the participating firms were congratulating for the topics chosen: leadership and CSR, which were regarded as top priorities.

The HR Managers from the participating firms were very interested in receiving an executive summary with the main findings of this study. This emerging interest from the managers contacted, raised the need to have a *think tank* about leadership and social responsibility, where the main findings of this study will serve as a base to discuss the different perspectives of scholars and managers regarding these issues.

4.6 SCALES

4.6.1 Measures of leadership

The Multifactor Leadership Questionnaire (MLQ – 5x short form) was used to assess the CEO transformational leadership (Bass and Avolio, 2008). Permission from Mind

Garden, Inc. (publishing rights are owned by this company) was granted to reproduce copies of the MLQ during the period of one year, starting January 23, 2009.

Since its inception in 1985 (Bass, 1985), several researchers have used the MLQ to assess leadership qualities and to confirm the accurate definition of the main constructs associated with the model, especially conducting confirmatory factor analysis to MLQ (Bycio *et al.*, 1995; Den Hartog *et al.*, 1997; Lievens *et al.*, 1997; Carless, 1998; Yukl, 1999; Avolio *et al.*, 1999; Tejada *et al.*, 2001; Goodwin *et al.*, 2001; Antonakis *et al.*, 2003). Main critics raised by these authors refer inadequate discriminant validity among the factors and the inability of the initial factor structure to be replicated in empirical research. Refinement to the original scale were introduced by Bass and Avolio (2008) trying to identify the most parsimonious model underlying MLQ.

Twenty items from this last version of the MLQ were used in this study to assess transformational leadership qualities of the CEO. Each participant was asked to rate his CEO according with a five-point scale, ranking from (0) = “not at all” to (5) = “frequently, if not always”.

4.6.2 Measures of leader ethical integrity

The instrument to assess the CEO ethical integrity was the Perceived Leader Integrity Scale (PLIS) of Craig and Gustafson (1998). This scale has thirty one items corresponding to unethical leader behaviour easy to recognize and assess by the followers. This scale has four point Likert type ranking from (1) = “not at all” to (4) = “exactly”.

4.6.3 Measures of the progress of the firm in terms of CSR

In order to assess the progress of the firm in terms of strategic orientation to CSR it was used the SPICE (sustainability progress indicator comparative evaluation) methodology

developed by Hemming et al. (2004). This methodology was used as a benchmarking tool to understand the sustainable development / corporate social responsibility agenda of Jaguar Cars in comparison with other firms considered to be leading in this field.

Hence this methodology is based on the *triple bottom line* concept (Elkington, 1997) considering the three dimensions: economic development combined with environmental and social responsibility. However, there is a clear focus on the last two dimensions while the economic dimension is not largely addressed (Hemming et al., 2004)

Ten main attributes were chosen, following a review of the existing literature: *compliance management, environmental management systems, performance improvement, environmental and sustainability reporting, stakeholder dialogue, product stewardship, supply chain management, eco-innovation, contribution to quality of life and community involvement and employer of choice*. These attributes are used to assess the firm according with a score between 0 and 5.

There are several indicators used to assess progress in which firms are addressing sustainable development / corporate social responsibility such as The Times – FTSE 100, SustainAbility and Business in the Community index, which have reported many similarities to the SPICE methodology (Hemming et al., 2004). The authors used this methodology in two studies held in 1999 and 2002, indicating that the scoring system despite its subjectivity, it is fairly robust and flexible.

4.7 STATISTICAL TESTS

Tests of normality were conducted in all the items in the questionnaire in order to assess if data came from a normal distribution. Both the Kolmogorov-Smirnov and Shapiro-Wilk tests applied to the items in the questionnaire (Table 4-7 to Table 4-10) showed that the data deviates from normality. The actual shape of the distribution for each set of

variables was confirmed in the Histogram and in the Normal Q-Q Plot as being non-normal, showing negative skewness (right-hand side of a graph). Therefore, parametric tests are not advised for this study because the assumption of normality was not achieved, instead transforming the variables is considered as a better alternative by Tabachnik and Fidell (2001), although this position doesn't reach consensus from the different authors, with some strongly supporting and others arguing against it (Pallant, 2007, p. 87). As an alternative, non-parametric (assumption-free) tests can be used to test the hypothesis of interest as recommended by Field (2005, p. 96).

Table 4-7 Normality Tests Applied to Transformational Leadership Items

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Re-examines critical assumptions to question whether they are appropriate.	.387	50	.000	.745	50	.000
Talks about his/her most important values and beliefs.	.249	50	.000	.856	50	.000
Seeks differing perspectives when solving problems.	.261	50	.000	.804	50	.000
Talks optimistically about the future.	.293	50	.000	.786	50	.000
Instils pride in me for being associated with him/her.	.310	50	.000	.816	50	.000
Talks enthusiastically about what needs to be accomplished.	.282	50	.000	.761	50	.000
Specifies the importance of having a strong sense of purpose.	.235	50	.000	.817	50	.000
Spends time teaching and coaching.	.234	50	.000	.886	50	.000
Goes beyond self-interest for the good of the group.	.299	49	.000	.802	49	.000
Treats me as an individual rather than just as a member of a group.	.311	50	.000	.799	50	.000
Acts in ways that builds my respect.	.310	50	.000	.747	50	.000
Considers the moral and ethical consequences of decisions.	.283	50	.000	.803	50	.000
Displays a sense of power and confidence.	.271	50	.000	.770	50	.000
Articulates a compelling vision of the future.	.263	50	.000	.796	50	.000
Considers me as having different needs, abilities and aspirations from others.	.292	50	.000	.840	50	.000

Gets me to look at problems from many different angles.	.309	50	.000	.819	50	.000
Helps me to develop my strengths.	.292	50	.000	.851	50	.000
Suggests new ways of looking at how to complete assignments.	.345	50	.000	.797	50	.000
Emphasizes the importance of having a collective sense of mission.	.235	50	.000	.817	50	.000
Expresses confidence that goals will be achieved.	.271	50	.000	.770	50	.000

(a) Lilliefors Significance Correction

Table 4-8 Normality Tests Applied to Perceived Leader Integrity Items

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Would use my mistakes to attack me personally.	.390	49	.000	.653	49	.000
Always gets even.	.390	49	.000	.669	49	.000
Gives special favours to certain “pet” employees, but not to me.	.292	50	.000	.763	50	.000
Would lie to me.	.319	50	.000	.702	50	.000
Would risk me to protect himself/herself in work matters.	.372	50	.000	.694	50	.000
Deliberately fuels conflict among employees.	.437	50	.000	.605	50	.000
Is evil.	.487	50	.000	.436	50	.000
Would use my performance appraisal to criticize me as a person.	.403	50	.000	.652	50	.000
Has it in for me.	.487	50	.000	.436	50	.000
Would allow me to be blamed for his/her mistake.	.349	50	.000	.710	50	.000
Would falsify records if it would help his/her work situation.	.486	50	.000	.419	50	.000
Lacks high morals.	.460	50	.000	.535	50	.000
Makes fun of my mistakes instead of coaching me as to how to do my job better.	.497	50	.000	.453	50	.000
Would deliberately exaggerate my mistakes to make me look bad when describing my performance to his/her superiors.	.497	50	.000	.453	50	.000
Is vindictive.	.497	50	.000	.404	50	.000
Would blame me for his/her own mistake.	.447	50	.000	.585	50	.000
Avoids coaching me because (s)he wants me to fail.	.495	50	.000	.387	50	.000

Would treat me better if I belonged to a different ethnic group.	.507	50	.000	.441	50	.000
Would deliberately distort what I say.	.448	50	.000	.523	50	.000
Deliberately makes employees angry at each other.	.500	50	.000	.458	50	.000
Is a hypocrite.	.478	50	.000	.466	50	.000
Would limit my training opportunities to prevent me from advancing.	.463	50	.000	.559	50	.000
Would blackmail an employee if (s)he thought (s)he could get away with it.	.486	50	.000	.419	50	.000
Enjoys turning down my requests.	.473	50	.000	.538	50	.000
Would make trouble for me if I got on his/her bad side.	.362	50	.000	.670	50	.000
Would take credit for my ideas.	.394	50	.000	.657	50	.000
Would steal from the organization.	.519	50	.000	.273	50	.000
Would risk me to get back at someone else.	.495	50	.000	.387	50	.000
Would engage in sabotage against the organization.	.539	50	.000	.255	50	.000
Would fire people just because (s)he doesn't like them if (s)he could get away with it.	.397	50	.000	.609	50	.000
Would do things which violate organizational policy and then expect his/her subordinates to cover for him/her.	.487	50	.000	.436	50	.000

(a) Lilliefors Significance Correction

Table 4-9 Normality Tests Applied to Progress of the Firm in CSR Items

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Compliance management	.271	50	.000	.761	50	.000
Environmental management systems	.215	49	.000	.869	49	.000
Performance improvement	.240	50	.000	.857	50	.000
Environmental and sustainability reporting	.201	50	.000	.915	50	.000
Stakeholder dialogue	.244	50	.000	.882	50	.000
Product stewardship	.293	50	.000	.799	50	.000
Supply chain management	.221	50	.000	.863	50	.000
Eco-innovation	.259	50	.000	.884	50	.000
Contribution to quality of life and community involvement	.216	50	.000	.871	50	.000
Employer of Choice	.249	50	.000	.870	50	.000

(a) Lilliefors Significance Correction

Table 4-10 Normality Tests Applied to Performance Items

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Profitability	.331	50	.000	.794	50	.000
Return on Investment (ROI)	.338	50	.000	.797	50	.000
Sales	.312	50	.000	.794	50	.000
Market Share	.247	50	.000	.846	50	.000
Customer Retention	.325	50	.000	.770	50	.000
Sales Growth	.327	50	.000	.814	50	.000

(a) Lilliefors Significance Correction

Applying the normality tests showed in Table 4-11, for the grouping variables which are going to be analysed in Chapter 5, it was also found a non-normal distribution with a significant result (Sig. value less than .05) for every grouping variables, with the exception of Global CSR Index.

Table 4-11 Normality Tests Applied to Grouping Variables

	Kolmogorov-Smirnov(a)			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Transformational Leadership Index	0.146	50	0.009	0.921	50	0.003
Intellectual Stimulation Index	0.209	50	0.000	0.883	50	0.000
Idealized Influence Index	0.154	50	0.005	0.914	50	0.001
Inspirational Motivation Index	0.159	50	0.003	0.922	50	0.003
Individualized Consideration Index	0.134	50	0.025	0.951	50	0.036
Global CEO Integrity Index	0.246	50	0.000	0.719	50	0.000
Global CSR Index	0.071	50	0.200*	0.970	50	0.235

*This is a lower bound of the true significance.

(a) Lilliefors Significance Correction

Performing the skewness and the kurtosis analysis in Table 4-12, we have confirmation for a non-normal distribution with negative values indicating a pile-up of values on the right side of the distribution and positive values of kurtosis indicating a pointy distribution. If the distribution is perfectly normal the values of skewness and kurtosis should be 0 (Field, 2005; Pallant, 2007). In this study as the assumption of normality is not verified, we will have to face the potential effects of heterocedasticity on the regression analysis, which occur when the residuals at each level of the predictor variables have unequal variances (Field, 2005; Tabachnik and Fidell, 2001).

Table 4-12 Skewness and Kurtosis Analysis Applied to Grouping Variables

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Transformational Leadership Index	-1.093	.337	1.104	.662
Intellectual Stimulation Index	-1.257	.337	1.663	.662
Idealized Influence Index	-1.096	.337	1.133	.662
Inspirational Motivation Index	-.739	.337	.607	.662
Individualized Consideration Index	-.645	.337	.280	.662
Global CEO Integrity Index	-2.609	.337	9.072	.662
Global CSR Index	-.542	.337	.129	.662

So, for the Global CSR Index we have confirmation that is non-normally distributed, however as normality tests are not significant, “it tells us that the distribution of the sample is not significantly different from a normal distribution” (Field, 2005, p. 93).

Finally, to assess the linearity of the relationship between the variables, a scatterplot analysis was conducted showing a roughly straight line.

4.8 ETHICAL RESEARCH ISSUES

This study was conducted purely considering its scientific interest for scholars and practitioners. No other personal or professional interest has interfered in this study, and it was not subjected to the interest of third parties. Regarding the collection of data, the voluntary participation was assured, offering the possibility to the participating firms of returning a blank questionnaire. The confidentiality of data and anonymity of respondents was also ensured.

4.9 CONCLUSION

The research philosophy, methodology and research strategy was presented in this chapter. All the procedures regarding the data collection were explained. Statistical tests were conducted indicating a non-normal distribution, which will create some limitations for the data analysis presented in the next chapter.

CHAPTER 5 – DATA ANALYSIS AND MAIN FINDINGS

5.1 INTRODUCTION

In this chapter, it is presented the analysis of the empirical data obtained from the survey. In the first three sections, it was conducted the analysis of transformational leadership characteristics of the CEO, ethical integrity of the CEO and firm strategic orientation to CSR. In section 5 and 6, the nature of the relationship between the constructs was assessed. In section 7, the proposed concept model was tested using logistic regression analysis. Finally, in the last two sections the main and additional findings are presented.

5.2 TRANSFORMATIONAL LEADERSHIP CHARACTERISTICS OF THE CEO

To assess transformational leadership attitudes and behaviours of the CEO, twenty items of MLQ were used. For each dimension of transformational leadership, it was calculated a global index after summing up and averaging the scores obtained. Thus, in Table 5-1 the results for each dimension are presented.

In general, CEOs show a high level of transformational leadership with 92 per cent above the scale mid-point of 2. Considering each dimension, CEO inspirational motivation has the higher scores with 12 per cent scoring 4 and 70 per cent scoring between 3 and 3.9 while CEO individual consideration achieved the lowest scores with only 44 per cent above score 3 and 12 per cent below the mid-point of the scale.

Table 5-1 Transformational Leadership Characteristics: Frequencies (N = 50 firms)

Global Factor Index	IS		II		IM		IC		TL	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Less than 1	0	0	0	0	0	0	0	0	0	0
Between 1 and 1,9	4	8	4	8	1	2	6	12	4	8
Between 2 and 2,9	13	26	10	20	8	16	22	44	14	28
Between 3 and 3,9	33	66	33	66	35	70	21	42	32	64
Equal to 4	0	0	3	6	6	12	1	2	0	0
Total	50	100	50	100	50	100	50	100	50	100

(a) IS – Intellectual Stimulation; II – Idealized Influence; IM – Inspirational Motivation; IC – Individual Consideration and TL – Transformational Leadership.

(b) Scale: 0 (Never) – 4 (Always); Mid-point: 2.

These findings are confirmed through the analysis showed in Table 5-2, global transformational leadership index is 3.05 (above the mid-point of the scale) and the highest dimension is inspirational motivation index with an average score of 3.25, balanced by individualized consideration index with 2.75.

Other empirical studies have presented lower levels of transformational leadership, ranging between 2.16 to 2.68 (Bass and Avolio, 2008; Bass *et al.*, 2003; Turner *et al.*, 2002; Parry and Proctor-Thomson, 2002; Bass, 1985), which can be explained by the fact that this study was focused on the leadership behaviour of CEOs, who might be perceived by their followers as exhibiting more transformational leadership behaviour than other managers inside the organization (Bass, 1985).

Items with the highest score were:

- *displays a sense of power and confidence* (3.33);
- *expresses confidence that goals will be achieved* (3.33).

On the other hand, items with the lower score were:

- *spends time teaching and coaching* (2.33);
- *helps me to develop my strengths* (2.63).

Table 5-2 Transformational Leadership Variables: Descriptive Statistics (N = 48 firms)

	Mean	Std Deviation
Re-examines critical assumptions to question whether they are appropriate.	2.79	0.617
Talks about his/her most important values and beliefs.	2.96	0.771
Seeks differing perspectives when solving problems.	3.19	0.704
Talks optimistically about the future.	3.17	0.694
Instils pride in me for being associated with him/her.	3.04	0.743
Talks enthusiastically about what needs to be accomplished.	3.31	0.657
Specifies the importance of having a strong sense of purpose.	3.19	0.790
Spends time teaching and coaching.	2.33	0.907
Goes beyond self-interest for the good of the group.	3.13	0.824
Treats me as an individual rather than just as a member of a group.	3.10	0.751
Acts in ways that builds my respect.	3.27	0.736
Considers the moral and ethical consequences of decisions.	3.15	0.743
Displays a sense of power and confidence.	3.33	0.663
Articulates a compelling vision of the future.	3.19	0.704
Considers me as having different needs, abilities and aspirations from others.	2.94	0.755
Gets me to look at problems from many different angles.	2.90	0.692
Helps me to develop my strengths.	2.63	0.815
Suggests new ways of looking at how to complete assignments.	2.90	0.831
Emphasizes the importance of having a collective sense of mission.	3.21	0.771
Expresses confidence that goals will be achieved.	3.33	0.663
Transformational Leadership Index	3.05	0.535
Intellectual Stimulation Index	2.94	0.575
Idealized Influence Index	3.16	0.590
Inspirational Motivation Index	3.25	0.574
Individualized Consideration Index	2.75	0.652

(a) Scale: 0-4; Mid-point: 2.

Factor analysis was not conducted in the 20 items of transformational leadership due to the fact that several tests were made since the first MLQ scale was published in 1985 (Bycio *et al.*, 1995; Den Hartog *et al.*, 1997; Lievens *et al.*, 1997; Carless, 1998; Yukl, 1999; Avolio *et al.*, 1999; Tejada *et al.*, 2001; Goodwin *et al.*, 2001; Antonakis *et al.*, 2003).

Bass and Avolio (2008) have considered four distinct factors regarding transformational leadership in the last version of MLQ, which are stated below in Table 5-3. Internal validity of the four factors was measured using Cronbach Alpha, being accordingly with reliabilities assessed by Bass and Avolio (2008, p. 48) for total items and for each leadership factor ranging from 0.74 to 0.94.

Table 5-3 Transformational Leadership Factors: Reliability Analysis

Factor	Item	Cronbach Alpha
Intellectual Stimulation	<ul style="list-style-type: none">• Re-examines critical assumptions to question whether they are appropriate.• Seeks differing perspectives when solving problems.• Gets me to look at problems from many different angles.• Suggests new ways of looking at how to complete assignments.	0.817
Idealized Influence	<ul style="list-style-type: none">• Talks about his/her most important values and beliefs.• Instils pride in me for being associated with him/her.• Specifies the importance of having a strong sense of purpose.• Goes beyond self-interest for the good of the group.• Acts in ways that builds my respect.• Considers the moral and ethical consequences of decisions.• Displays a sense of power and confidence. Emphasizes the importance of having a collective sense of mission.	0.904
Inspirational Motivation	<ul style="list-style-type: none">• Talks optimistically about the future.• Talks enthusiastically about what needs to be accomplished.• Articulates a compelling vision of the future. Expresses confidence that goals will be achieved.	0.866
Individualized Consideration	<ul style="list-style-type: none">• Spends time teaching and coaching.• Treats me as an individual rather than just as a member of a group.• Considers me as having different needs, abilities and aspirations from others.• Helps me to develop my strengths.	0.820

5.3 ETHICAL INTEGRITY OF THE CEO

In order to assess the CEO Integrity, the 31 items of PLIS were used. First, the scale from (1) = “never” to (4) = “always” was inverted so that higher score account for higher integrity of the CEO. Second, the 31 items were summed up and averaged to obtain the global CEO integrity index.

As Table 5-4 shows, the CEO’s from the sample have a high level of perceived integrity, with 78% of them presenting a high score (above 3) and the global average is 3.13. These results are consistent with the ones found in Craig and Gustafson (1998) in two different samples of American leaders with a mean of 3.63 and in Parry and Proctor-Thomson (2002) of managers from New Zealand with a mean of 3.73. Furthermore, in this study 10 per cent of CEO’s were rated below the mid-point (2,5 on a scale of 1-4) on the PLIS and 2 per cent were rated below the mid-point for integrity and above transformational leadership, which will represent an empirical evidence for the concept of “pseudo transformational leaders” of Bass and Steidlmeier (1999). “Truly transformational leaders” account for 90 per cent of the sample.

Table 5-4 Ethical Integrity: Frequencies (N = 50 firms)

Global CEO Integrity Index	Frequency	Percent	Cumulative Percent
Between 1 and 1,9	1	2%	2%
Between 2 and 2,9	10	20%	22%
Between 3 and 3,9	39	78%	100%
Equal to 4	0	0%	100%
Total	50	100%	
Global CEO Integrity Index	Average		Std Dev
	3.13		.445

Additionally, in Table 5-5 is indicated the descriptive statistics for the 31 items of PLIS. The original scale was considered here for an easy interpretation of each item, so the higher score here represents lower integrity.

Items which accounts for the highest mean (lower integrity) are:

- *gives special favours to certain “pet” employees, but not to me* (1.64);
- *would lie to me* (1.54).

On the other hand, items with the lowest mean are:

- *would engage in sabotage against the organization* (1.06);
- *would treat me better if I belonged to a different ethnic group* (1.16).

Table 5-5 Integrity Variables: Descriptive Statistics (N = 48 firms)

	Mean	Std Deviation
Would use my mistakes to attack me personally.	1.43	.677
Always gets even.	1.47	.739
Gives special favours to certain “pet” employees, but not to me.	1.64	.722
Would lie to me.	1.54	.646
Would risk me to protect himself/herself in work matters.	1.50	.735
Deliberately fuels conflict among employees.	1.34	.593
Is evil.	1.22	.582
Would use my performance appraisal to criticize me as a person.	1.38	.530
Has it in for me.	1.22	.582
Would allow me to be blamed for his/her mistake.	1.52	.707
Would falsify records if it would help his/her work situation.	1.20	.535
Lacks high morals.	1.32	.683
Makes fun of my mistakes instead of coaching me as to how to do my job better.	1.22	.545
Would deliberately exaggerate my mistakes to make me look bad when describing my performance to his/her superiors.	1.22	.545
Is vindictive.	1.20	.571
Would blame me for his/her own mistake.	1.32	.587
Avoids coaching me because (s)he wants me to fail.	1.18	.523
Would treat me better if I belonged to a different ethnic group.	1.16	.370
Would deliberately distort what I say.	1.28	.573
Deliberately makes employees angry at each other.	1.18	.438
Is a hypocrite.	1.24	.591
Would limit my training opportunities to prevent me from advancing.	1.26	.487
Would blackmail an employee if (s)he thought (s)he could get away with it.	1.20	.535
Enjoys turning down my requests.	1.24	.476
Would make trouble for me if I got on his/her bad side.	1.46	.646
Would take credit for my ideas.	1.44	.705
Would steal from the organization.	1.12	.480
Would risk me to get back at someone else.	1.18	.523
Would engage in sabotage against the organization.	1.06	.240
Would fire people just because (s)he doesn’t like them if (s)he could get away with it.	1.42	.731
Would do things which violate organizational policy and then expect his/her subordinates to cover for him/her.	1.22	.582

The 31 items of the Perceived Leader's Integrity Scale (PLIS) were subjected to principal components analysis (PCA) using SPSS with a Varimax rotation. Prior to performing PCA, the suitability of data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients above 0.3. The Kaiser-Mayer-Olkin (KMO) value was 0.787, exceeding the recommended value of 0.6 (Tabachnik and Fidell, 2001) and Bartlett's Test of Sphericity reached statistical significance, supporting the factorability of the correlation matrix. Although the sample size (N=50) is below the size suggested by Tabachnik and Fidell (2001, p. 588) "it is comforting to have at least 300 cases for factor analysis", however they do conceive that a smaller sample size (e.g. 150 cases) should be sufficient if solutions have several high loading marker variables (above 0.8).

PCA revealed the presence of five components with eigenvalues exceeding 1, explaining respectively 62.3%, 6.4%, 4.5%, 3.6% and 3.5% of the variance. However, an inspection of the scree plot revealed a clear break after the first component.

This was further supported by the results obtained by Craig and Gustafson (1998) "the scree plot of eigenvalues indicated a one-factor solution to be the most appropriate, with the magnitude of the eigenvalue for the first unrotated factor being over seven times greater than that for the second factor. Thus, the PLIS appears to be a unidimensional instrument." Parry and Proctor-Thomson (2002, p. 86) also found evidence in the PLIS-R (a scale of 28 items based on the original PLIS, omitting three items and re-wording nine items to make them appropriate for use by super-ordinates rating leaders below them) of a first factor with an eigenvalue of more than five times than the second eigenvalue, "supporting the finding of a latent one-factor construct."

Therefore, it was decided to retain only one component for further investigation. This one component explained a total of 62.3% of the variance. Component matrix revealed a

number of strong loadings all above 0.6 with the exception of item: *would treat me better if I belonged to a different ethnic group*, which had 0.31.

In order to assess reliability, the Cronbach alpha was performed. The PLIS demonstrated good internal consistency, with Cronbach alpha of 0.960. Therefore, the full 31 items were considered as a unique factor for analysis.

Previous studies using PLIS also showed high internal consistency, with Cronbach's alpha above 0.97 (Craig and Gustafson, 1998) and equal to 0.92 (Parry and Proctor-Thomson, 2002).

5.4 FIRM STRATEGIC ORIENTATION TO CSR

The level of progress in the firm orientation to CSR is high, considering that 84% of the sample are above the score 3 (mid-point of the scale is 2.5) and 42% above score 4, as showed in Table 5-6.

Table 5-6 Firm Orientation to CSR – Level of Progress: Frequencies (N = 50 firms)

	Frequency	Percent	Cumulative Percent
Less than 1	0	0%	0%
Between 1 and 1,9	1	2%	2%
Between 2 and 2,9	7	14%	16%
Between 3 and 3,9	21	42%	58%
Between 4 and 4,9	19	38%	96%
Equal to 5	2	4%	100%
Total	50	100%	

(a) Scale: 0 (none) – 5 (excellent).

The analyse of CSR variables showed us a good progress in every item as presented in Table 5-7, with a special emphasis to *compliance management* with a mean of 4.30. The item with a lower mean is *environmental and sustainability reporting* indicating that the participating firms still have a long way to go in the reporting area. The 10 items of the SPICE scale were summed up and averaged to obtain the global CSR index which accounted for 3.69 (scale between 0 and 5).

Table 5-7 CSR Variables: Descriptive Statistics (N = 48 firms)

	Mean	Std Deviation
Compliance management	4.30	.678
Environmental management systems	3.61	1.239
Performance improvement	3.84	1.057
Environmental and sustainability reporting	3.22	1.329
Stakeholder dialogue	3.58	.992
Product stewardship	3.92	.966
Supply chain management	3.42	.992
Eco-innovation	3.48	.995
Contribution to quality of life and community involvement	3.78	.910
Employer of Choice	3.72	1.011
Global CSR Index	3.69	.829

(a) Scale: 0-5

CPA was also used to assess the 10 items of SPICE scale. KMO was 0.91, exceeding the recommended value of 0.6 and Bartlett's Test of Sphericity reached statistical significance. Although the previous mentioned limitations regarding the sample size have to be taken into account. The correlation matrix showed coefficients of 0.3 and above.

One component was extracted with an eigenvalue above 1, explaining 64.7% of the variance. The scree plot confirms the existence of a single factor. The component matrix showed a number of strong loadings above 0.6, with exception of item: *compliance management*.

SPICE scale has a Cronbach alpha of 0.939, which correspond to a good internal consistency. Without the item above mentioned, Cronbach alpha improves to 0.945.

5.5 TRANSFORMATIONAL LEADERSHIP AND CSR

The relationship between CSR (assessed as a categorical variable, as explained in section 5.7) and transformational leadership (as measured by MLQ) with the four dimensions, was investigated using Spearman's rho correlation coefficient due to the

non-normal distribution nature of the scale variables. The findings are presented in Table 5-8.

Table 5-8 Transformational Leadership and CSR: Correlations (N = 48 firms)

Spearman's rho	IS	II	IM	IC	TL
CSR	0.485**	0.579**	0.649**	0.605**	0.692**

(a) ** $p < 0,01$ (2-tailed).

(b) IS – Intellectual Stimulation; II – Idealized Influence; IM – Inspirational Motivation; IC – Individual Consideration and TL – Transformational Leadership.

First, we find that CSR has a significant positive correlation with transformational leadership ($r = 0.692$, $n = 48$, $p < 0.01$). Second, the results also reveal positive correlation between CSR and the four factors of transformational leadership: intellectual stimulation ($r = 0.485$, $n = 48$, $p < 0.01$), idealized influence ($r = 0.579$, $n = 48$, $p < 0.01$), inspirational motivation ($r = 0.649$, $n = 48$, $p < 0.01$) and individual consideration ($r = 0.605$, $n = 48$, $p < 0.01$).

These findings differ from the main conclusions of Waldman *et al.* (2006). In their study, strategic CSR is not significantly correlated with charisma/idealized influence while intellectual stimulation has a significantly positive correlation ($r = 0.36$, $p > 0.05$).

However, intellectual stimulation is the factor with the lowest correlation coefficient when compared with the other factors: inspirational motivation accounts for the strongest correlation coefficient followed by individual consideration and by idealized influence.

This might be explained by the different context where the studies occurred. Waldman *et al.* (2006) study focused in CEOs from US and Canadian firms, while the present study was conducted only in Portuguese firms. In addition, Waldman *et al.* (2006, p. 1708) “used a measure of charismatic leadership / idealized influence that does not specifically assess moral values”. The present study has introduced a measure for

ethical integrity of the CEO, which according with the data collected has reached a high level of average integrity amongst the CEOs of the participating firms.

5.6 ETHICAL INTEGRITY OF LEADERSHIP AND CSR

Finally, the relation between ethical integrity of the CEO and the firm strategic orientation to CSR was assessed. As it is showed in Table 5-9 no significant relation was found between the two variables.

Table 5-9 Ethical Integrity and Transformational Leadership: Correlations (N = 48 Firms)

Spearman's rho	Total Integrity
CSR	0.153

(a) * $p < 0,05$ (2-tailed); ** $p < 0,01$ (2-tailed).

In light of the theoretical background discussed in Chapter 3 supporting a linkage between moral aspects of leadership and strategic CSR, this finding was quite surprising and unexpected. The lack of empirical studies in this area doesn't provide us with an additional assurance. Still, as an explanatory reason we can refer the corporate culture and shared values, which might act as a moderator variable between the moral values of the CEO and the firm strategic field (Freeman, 1984).

5.7 A MODEL TO EXPLAIN THE FIRM STRATEGIC ORIENTATION TO CSR

As mentioned in Section 4.7, the assumption of normality was not verified showing negative skewness and conducting the scatterplot analysis it showed a roughly straight line. Also, the small size of the sample will create a strong limitation especially regarding the generalisation ability of the model. According with Tabachnik and Fidell (2001, p. 117), the following formula for calculating the minimum sample size: $N \geq 50 + 8m$ (m = number of independent variables) as a rule of thumb should be applied. In

the present study, where it is considered two main independent variables and five independent variables, we should have 66 cases and 90 cases, respectively to test the entire model.

Another important assumption was to check for the presence of outliers using Mahalanobis Distance, a case was found above the critical value of 13.816 for two independent variables and of 20.515 for five independent variables (Tabachnik and Fidell, 2001, p. 933). Performing the Casewise Diagnostics and checking for Cook's Distance, another case was found with a value larger than 1 (Tabachnik and Fidell, 2001, p. 69). Consequently, two cases were deleted from the data, remaining 48 cases for regression analysis.

Finally, assessing for multicollinearity, despite the strong correlation between some of the second level independent variables, none of them were above 0.90, nor the Tolerance was lower than 0.10 or the Variance Inflation Factor (VIF) were above 10 (Tabachnik and Fidell, 2001, p. 84).

The above mentioned constraints, mainly the absence of a normal distribution, the roughly linearity found between the variables and the potential effects of heterocedasticity, were decisive to test the model using a logistic regression.

Therefore, a new categorical dependent variable was created: Firm Strategic Orientation to CSR: (0) = "not at all orientated" and (1) = "strongly orientated". Here, the objective of the logistic regression was to test if predictors distinguish between orientated firms' to CSR and not orientated firms' to CSR.

Several control variables were used to assess their influence in the firm strategic orientation to CSR, such as firm size (measured as total sales), risk (measured as debt ratio), profit (measured as ROE), number of employees and CEO tenure, which were

mentioned in existing literature (Waddock and Graves, 1997; McWilliams and Siegel, 2000; Waldman *et al.*, 2006).

Although it seems that these variables don't have any explanatory power regarding the strategic orientation to CSR, which is not consistent with Waddock and Graves (1997), McWilliams and Siegel (2000) and Waldman *et al.* (2006). This might be explained by the different context where this study was held and by the measures utilized by the different authors. McWilliams and Siegel (2000) and Waldman *et al.* (2006) computed those control variables as annual averages over five and four years, respectively.

Moreover, the ideal procedure would be assessing the leadership and integrity characteristics of the CEO in one specific year and then assess their impact in CSR and in the performance variables such as risk and profit in the subsequent years. Unfortunately, for this study this was not achievable as the survey was conducted early this year, while the performance variables were obtained from the last published data available, referring to the year of 2007.

5.7.1 Transformational Leadership and Ethical Integrity as Predictors

As previously mentioned, logistic regression was used to assess the ability of the main variables of the model to predict between orientated firms' to CSR and not orientated firms' to CSR. Starting with the two main constructs: transformational leadership and ethical integrity, it was analyzed their impact on the likelihood that firms are oriented to CSR. Main results are displayed in Table 5-10.

Table 5-10 Logistic Regression Model Results (N = 48 firms)

OVERALL MODEL FIT Goodness of Fit Measures	Value
-2 Log likelihood (-2LL)	36.697

Cox and Snell R ² Nagelkerke R ²	0.448 0.603				
	Chi-square	df	Sig.		
Hosmer and Lemeshow	4.402	7	0.732		
VARIABLES IN THE EQUATION					
Variable	B	S.E.	Wald	Sig.	Exp(B)
Transformational Leadership	6.309	1.853	11.589	0.001	549.266
Ethical Integrity	-1.585	2.182	0.527	0.468	0.205
Constant	-15.208	8.532	3.178	0.075	0.000

Initial -2LL: 65.203; B = logistic coefficient; S.E. = standard error; Wald = Wald statistic; Sig.= significance level; Exp(B) = exponential coefficient.

This model is statistically significant, $\chi^2 (2, N = 48) = 28.505, p < 0.001$, indicating that was able to distinguish between firms oriented and not oriented to CSR. As a whole explained between 44.8% (Cox and Snell R²) and 60,3% (Nagelkerke R²) of the variance in CSR status, and correctly classified 83.3% of cases.

As shown in Table 5-10, only one of the independent variables made a statistically significant contribution to the model: transformational leadership, recording an odds ratio of 549.27.

5.7.2 Transformational Leadership Dimensions and Ethical Integrity as Predictors

A second logistic regression with a forward stepwise method was carried out on the second-level independent variables, in order to assess the explaining power of the transformational leadership dimensions to predict the likelihood that firms are oriented to CSR. Findings are displayed in Table 5-11.

Table 5-11 Logistic Regression Model Results (N = 48 firms)

OVERALL MODEL FIT Goodness of Fit Measures	Value
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-2 Log likelihood (-2LL) Cox and Snell R ² Nagelkerke R ²	33.691 0.481 0.648				
	Chi-square	df	Sig.		
Hosmer and Lemeshow	3.907	7	0.790		
VARIABLES IN THE EQUATION					
Variable	B	S.E.	Wald	Sig.	Exp(B)
Inspirational Motivation	3.490	1.313	7.067	0.008	32.785
Individualized Consideration	2.753	1.159	5.642	0.018	15.697
Constant	-19.922	6.004	11.010	0.001	0.000
VARIABLES NOT IN THE EQUATION					
Variable	Score			Sig.	
Intellectual Stimulation	0.067			0.795	
Idealized Influence	1.086			0.297	
Ethical Integrity	0.915			0.339	
CLASSIFICATION TABLE					
	Predicted				
Observed	Not Or. to CSR	Or. to CSR		% Correct	
Not Oriented to CSR	24	4		85.7%	
Oriented to CSR	5	15		75.0%	
Overall Percentage	81.3%				

Initial -2LL: 65.203; B = logistic coefficient; S.E. = standard error; Wald = Wald statistic; Sig.= significance level; Exp(B) = exponential coefficient.

This model is also statistically significant, $\chi^2 (2, N = 48) = 31.511, p < 0.001$. The overall model fit -2LL was strongly reduced from the baseline model (-2LL = 65.203) to the final model (-2LL = 33.691) and the R² values explaining between 48.1% (Cox and Snell R²) and 64.8% (Nagelkerke R²) of variance in CSR status and the Hosmer and Lemeshow value showed no significance.

The classification table showed high hit ratios of correctly classified cases for the two-variable model extracted from SPSS. The model classified 75.0% firms oriented to CSR and 85.7% firms not oriented to CSR, correctly.

The regression indicates that inspirational motivation and individualized consideration have a significant positive relation with the dependent variable. Although, the other two dimensions of transformational leadership and ethical integrity, quite surprisingly were not significantly associated with the dependent variable.

5.8 MAIN FINDINGS

In this section, it will be presented the review of the hypothesis considered in the study according with the main results above mentioned.

5.8.1 Transformational Leadership and CSR

Hypothesis 1 – CEO transformational leadership and the firm strategic orientation to CSR have a positive relationship.

The first hypothesis, that transformational leadership and strategic orientation to CSR are positively related, was strongly supported in the findings. Transformational leadership is a significant predictor of firm strategic orientation to CSR ($B = 6.309$, $p < 0.01$) and has a significant positive correlation of $r = 0.692$, $p < 0.01$, which is regarded as a strong correlation, as showed in Table 5-12. However, more empirical studies are advised to corroborate these findings.

Table 5-12 Descriptive Statistics and Intercorrelations among Constructs (N = 48 firms).

	1	2	3	4	5	6	7	8	9
1. IS	(0.817)								
2. II	0.717**	(0.904)							
3. IM	0.619**	0.731**	(0.866)						
4. IC	0.704**	0.603**	0.559**	(0.820)					
5. TL	0.849**	0.920**	0.828**	0.808**	(0.950)				
6. CEO Integrity	0.349*	0.393**	0.457**	0.309*	0.404**	(0.960)			
7. CSR	0.485**	0.579**	0.649**	0.605**	0.692**	0.153	(0.939)		
8. Market Performance	0.098	0.257 ⁺	0.242 ⁺	0.103	0.214	0.030	0.250 ⁺	(0.870)	
9. Financial Performance	0.215	0.208	0.201	0.214	0.217	0.111	0.054	0.278 ⁺	(0.918)
Mean	2.93	3.11	3.24	2.70	3.01	3.13	3.69	3.92	3.93
Standard Deviation	0.605	0.642	0.568	0.705	0.565	0.445	0.829	0.663	0.742

Note:

⁺ p < 0.10 (2-tailed); * p < 0.05 (2-tailed); ** p < 0.01 (2-tailed).

Scale 0 - 4 0 - 4 0 - 4 0 - 4 0 - 4 1 - 4 0 - 5 1 - 5 1 - 5

Cronbach's Alphas in brackets.

IS – Intellectual Stimulation; II – Idealized Influence; IM – Inspirational Motivation; IC – Individual Consideration and TL – Transformational Leadership
Correlations using Spearman's rho analysis.

In the next sections, the four dimensions of transformational leadership will be examined accordingly with the second level of hypothesis raised.

5.8.2 CEO idealized influence and CSR

Hypothesis 1a – CEO idealized influence and the firm strategic orientation to CSR have a positive relationship.

The first dimension of transformational leadership (idealized influence) has no significant prediction power ($p > 0.10$) according with the logistic regression conducted, despite showing a significant and strong positive correlation of $r = 0.579$, $p < 0.01$ (Table 5-12). Consequently, there is no support for Hypothesis 1a.

Also, Waldman *et al.* (2006), found that CEO charisma (idealized influence) did not have any significant predictive power with respect to strategic CSR. Further empirical studies are required to clarify the nature and statically significance of this relation.

5.8.3 CEO inspirational motivation and CSR

Hypothesis 1b – CEO inspirational motivation and the firm CSR strategic orientation have a positive relationship.

The second dimension of transformational leadership (inspirational motivation) positively predicts the firm strategic orientation to CSR ($B = 3.49$, $p < 0.01$), showing a significant and strong positive correlation of $r = 0.649$, $p < 0.01$ (Table 5-12). There is also a support for Hypothesis 1b.

Conceptually, it was established a link between the two variables (Bass and Steidlmeier, 1999; Bass and Avolio, 2008), although no further empirical studies were found to confirm this result.

5.8.4 CEO intellectual stimulation and CSR

Hypothesis 1c – CEO intellectual stimulation and the firm strategic orientation to CSR have a positive relationship.

The third dimension of transformational leadership (intellectual stimulation) was not found to be a significant predictor to strategic orientation to CSR ($p > 0.01$), despite being positively related with strategic orientation to CSR, showing a significant and moderate positive correlation of $r = 0.485$, $p < 0.01$ (Table 5-12). So, there was no support for Hypothesis 1c.

5.8.5 CEO individualized consideration and CSR

Hypothesis 1d – CEO individualized consideration and the firm strategic orientation to CSR have a positive relationship.

Finally, the fourth dimension of transformational leadership (individualized consideration) was also found to be a significant predictor ($B = 2.753$, $p < 0.05$) and showing a significant and strong positive correlation of $r = 0.605$, $p < 0.01$ (Table 5-12). This hypothesis was also supported.

5.8.6 CEO ethical integrity and CSR

Hypothesis 2 – CEO ethical integrity and the firm strategic orientation to CSR have a positive relationship.

In this study, it was found that CEO ethical integrity was not a predictor ($p > 0.10$) nor is significant correlated with strategic CSR ($p > 0.10$). So, despite the theoretical background linking the two variables (Freeman, 1984; Jones, 1995; Jones and Wicks, 1999; Garriga and Melé, 2004), there was no support for Hypothesis 2. As previously

mentioned, this result was surprising and unexpected. The organizational culture might function as a moderator here between the two variables, therefore additional empirical studies will help to clarify this potential linkage.

5.9 ADDITIONAL FINDINGS

5.9.1 CEO Ethical Integrity and Transformational Leadership

The relationship between CSR (assessed as a categorical variable, as explained in Section 5.7) and transformational leadership (as measured by MLQ) with the four factors was investigated using Spearman's rho correlation coefficient due to the non normal distribution nature of the scale variables. Findings are presented in Table 5-13.

Table 5-13 Ethical Integrity and Transformational Leadership: Correlations (N = 48 firms)

Spearman's rho	IS	II	IM	IC	TL
Global Integrity Index	0.349*	0.393**	0.457**	0.309*	0.404**

(a) * $p < 0,05$ (2-tailed); ** $p < 0,01$ (2-tailed).

(b) IS – Intellectual Stimulation; II – Idealized Influence; IM – Inspirational Motivation; IC – Individual Consideration and TL – Transformational Leadership.

There is a significant positive correlation between transformational leadership and perceived integrity ($r = 0.404$, $n = 48$, $p < 0.01$). The results also reveal positive correlation between perceived integrity and the four dimensions of transformational leadership: intellectual stimulation ($r = 0.349$, $n = 48$, $p < 0.05$), idealized influence ($r = 0.393$, $n = 48$, $p < 0.01$), inspirational motivation ($r = 0.457$, $n = 48$, $p < 0.01$) and individual consideration ($r = 0.309$, $n = 48$, $p < 0.05$).

These findings are consistent with the study from Parry and Proctor-Thomson (2002), which also found a positive correlation between transformational leadership and perceived integrity ($r = 0.44$, $n = 1354$, $p < 0.01$) and perceived integrity and the four

factors of transformational leadership: intellectual stimulation ($r = 0.37$, $n = 1354$, $p < 0.01$), idealized influence attributes ($r = 0.46$, $n = 1354$, $p < 0.01$), idealized influence behaviours ($r = 0.34$, $n = 1354$, $p < 0.01$), inspirational motivation ($r = 0.35$, $n = 1354$, $p < 0.01$) and individual consideration ($r = 0.35$, $n = 1354$, $p < 0.01$).

These findings give support to the concept of “truly transformational leaders”. Previous literature had provided a strong support for the linkage of the two variables (Burns, 1978; Bass and Steidlmeier, 1999; Bass and Avolio, 2008; Howell and Avolio, 1992; Graham, 1995; Kuhnert and Lewis, 1987) and empirical studies also (Turner *et al.*, 2002; Parry and Proctor-Thomson, 2002). Additional research is necessary to develop the full range leadership theory (Bass, 1985), including also an ethical dimension, which will contribute to separate transformational leadership in two different constructs: “truly transformational leadership” and “pseudo transformational leadership” (Bass and Steidlmeier, 1999).

5.9.1 Firm Performance

The performance measure used in the questionnaire has six items which are mentioned in Table 5-14, combining financial and market performance: profitability, return on investment, sales (firm size), market share, customer retention and sales growth; which were assessed by respondents through a five-point scale ranging from (1) = “much less / smaller / slower” to (5) = “much more / larger / faster” (Veríssimo, 2004).

The performance of the participating firms is strongly positioned above average as showed in Table 5-14.

Table 5-14 Firm Performance: Frequencies (N = 50 firms)

	Below Average	Average	Above Average
Profitability	2	7	41
Return on Investment (ROI)	3	8	39
Sales	1	11	38
Market Share	2	12	36
Customer Retention	0	7	43
Sales Growth	3	12	35

The variables with the higher average are: *customer retention* and *profitability*, while the lowest average is from: *sales growth* and ROI, as presented in Table 5-15.

Table 5-15 Firm Performance Variables: Descriptive Statistics (N = 48 firms)

	Mean	Std Deviation
Profitability	3.98	0.714
Return on Investment (ROI)	3.88	0.824
Sales	3.90	0.763
Market Share	3.94	0.890
Customer Retention	4.10	0.614
Sales Growth	3.74	0.803
Global Profitability Index	3.92	0.803

(a) Scale: 1-5; Mid-point: 3.

CPA was performed to assess the 6 items of the firm performance scale. KMO was 0.697, exceeding the recommended value of 0.6 and Bartlett's Test of Sphericity reached statistical significance. Although the previous mentioned limitations regarding the sample size have to be taken into account. The correlation matrix showed coefficients of 0.3 and above.

Two components were extracted with an eigenvalue above 1, explaining 81% of the variance, as showed in Table 5-16. The scree plot confirms the existence of two factors.

Table 5-16 Firm Performance: Reliability Analysis

Factor	Item	Factor Loadings	Cronbach Alpha
Market Performance	Market Share	.902	.870
	Sales	.872	
	Customer Retention	.836	
	Sales Growth	.709	
Financial Performance	Profitability	.945	.918
	Return on Investment	.920	

In light of the findings presented in Table 5-12, a small correlation was found between CSR and the factor of market performance ($r = 0.25$, $n = 48$, $p < 0.10$). This is a worthwhile topic to develop into a deeper analysis, assuming that a firm orientation to CSR generates positive outcomes in their public image and reputation, with consequent positive effects in the market performance and profit (Adam and Shavit, 2008). Also, it was found a small correlation between CSR and two of the dimensions of transformational leadership: idealized influence ($r = 0.257$, $n = 48$, $p < 0.10$) and inspirational motivation ($r = 0.242$, $n = 48$, $p < 0.10$). Being those two dimensions the ones that most contribute to the firm's public image and reputation.

5.10 CONCLUSION

In this chapter, following the data analysis we found that CEOs from the participating firms showed a high level of transformational leadership, especially regarding inspirational motivation, and a high level of perceived integrity. On the other hand, CSR variables showed a good level of progress in every item, with a special emphasis in compliance management.

Furthermore, transformational leadership was found to be positively related with the firm strategic orientation to CSR, with two dimensions: inspirational motivation and individualized consideration, also being strongly related with the dependent variable. Surprisingly, ethical integrity was not significantly related with strategic orientation to CSR.

The next chapter presents the summary discussion of these findings, the main theoretical and managerial implications, the limitations of this study and finally adds possible paths for future research.

CHAPTER 6 - CONCLUSION

6.1 INTRODUCTION

This final chapter presents the summary discussion of the findings obtained in the course of this study. The approach between the most significant literature on leadership and social responsibility is revisited in light of the main findings presented. Furthermore, the implications on a theoretical and managerial point of view are discussed, as well as the limitations of the current study. Finally, some hints for future research are provided as a base to improve the leadership theoretical framework.

6.2 DISCUSSION

Leadership values, attributes and behaviours are considered to affect the firms' strategic decision-making and its implementation (House and Aditya, 1997). A review of the literature on leadership suggests that the neo-charismatic paradigm of transformational leadership is associated with the development of the common interests of a community, determining the extent to which their firms engage in CSR (Bass and Steidlmeier, 1999; Waldman *et al.*, 2006). Also, researchers have appointed the alignment between a firm's strategy and social / ethical concerns (McWilliams and Siegel, 2001), regarding ethics as a necessary ingredient to the strategic analysis (Freeman, 1984). Therefore, this research study has the following purpose:

Purpose: To explore the impact of the several dimensions of CEO transformational leadership and of a fifth dimension of ethical integrity in determining the effect to which their firms implement corporate social responsibility strategies.

Existing literature on CSR has provided a linkage between transformational leadership and the firm orientation to CSR, though the lack of empirical studies to test that relation, especially considering the full range of transformational leadership with their four dimensions, raises the need to further pursue in this direction. So, in this study the following research questions and sub-questions were raised:

Question 1 – What is the relation between CEO transformational leadership and the firm strategic orientation to CSR?

Question 1a – What is the relation between CEO idealized influence and the firm strategic orientation to CSR?

Question 1b – What is the relation between CEO inspirational motivation and the firm strategic orientation to CSR?

Question 1c – What is the relation between CEO intellectual stimulation and the firm strategic orientation to CSR?

Question 1d – What is the relation between CEO individualized consideration and the firm strategic orientation to CSR?

Question 2 – What is the relation between CEO ethical integrity and the firm strategic orientation to CSR?

These questions were raised, following Waldman *et al.* (2004, p. 1721) suggestions that future research should “consider a broader array of leadership components and practices” to clarify their impact in the implementation of CSR strategies.

The research strategy assumed a positivism philosophy using the proposed conceptual

model to draw the main hypothesis and to determine the relation between variables. A quantitative approach was followed using survey as method. The observable data was collected through a self-completion questionnaire. This data was used to test, confirm or refute those hypotheses using statistical analysis.

The objectives pursued in this quantitative approach were the following:

Objective 1 – To determine the relation between CEO transformational leadership and its four dimensions of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration towards the firm strategic orientation to CSR.

Objective 2 – To determine the relation between CEO ethical integrity and the firm strategic orientation to CSR.

For this study, the largest 500 largest firms in Portugal were selected from the ranking provided by *Exame 500 Maiores & Melhores* – 2008 Edition. The survey occurred between April and July of this year, and a total of 170 questionnaires were received. After rejecting some of the questionnaires for the lack of consistency, a total of 155 questionnaires were retained, representing 50 firms with an average response rate of 3 questionnaires per firm.

The main findings are discussed below accordingly with the objectives mentioned:

Objective 1

The relation between CEO transformational leadership and the firm strategic orientation to CSR was explored at five levels: as a global construct and separated by its 4 dimensions.

Regarding the global construct of transformational leadership, literature provided a conceptual linkage between that construct and the firm strategic orientation to CSR (Bass and Steidlmeier, 1999; Graham, 1995), based on the assumption that transformational leadership enhances the development of strategies focused in the common interest of the community. Hence, Hypothesis 1 stated that CEO transformational leadership and the firm strategic orientation to CSR have a positive relationship, which was confirmed by the empirical findings of this study.

Focusing on the second level dimensions of this construct, the first one idealized influence, has received support from several researchers as having a positive impact in engaging followers to pursuit CSR (Bass and Steidlmeier, 1999; Conger and Kanungo, 1994; Shamir *et al.*, 1993; Waldman *et al.*, 2006). Therefore, Hypothesis 1a has stated a positive relationship between this first dimension and the firm strategic orientation to CSR. Although, there was no empirical evidence for this hypothesis in the present study, corroborating also the empirical findings of Waldman *et al.* (2006).

Several factors can explain these findings, for instance in financial crises the expenditure in CSR could be counterproductive, regardless of the CEO charismatic appeal. Also, even CEOs with little charismatic appeal may attempt to pursue CSR-orientated strategies in order to improve the firm image and reputation. Furthermore, other important factors such as the demands of certain stakeholders groups might impact on the firm's CSR strategic orientation, independently of the charismatic level of the CEO (Waldman *et al.*, 2006).

Moving to the second dimension, inspirational motivation is considered in the existing literature as having a focus on the good that can be achieved by the group, organization, or society for which the leader is feeling responsible (Bass and Steidlmeier, 1999).

Here, Hypothesis 1b refers to a positive relationship between this dimension and the firm strategic orientation, which was also confirmed by the empirical findings of this study.

The third dimension, intellectual stimulation is mentioned in the reviewed literature as a vehicle to make the followers questioning the status quo and presenting new creative ways of achieving the firm's mission, also their conceptual capacity can be used to think about the environmental context and to create strong relationships with the stakeholders (Bass, 1985; Bass and Avolio, 2008; Boal and Hooijberg, 2001; Waldman *et al.*, 2006). Hence, Hypothesis 1c maintains that CEO intellectual stimulation and the firm strategic orientation to CSR have a positive relationship. Contrary to our expectations, empirical findings in this study didn't provide confirmation for this hypothesis.

Surprisingly, the support provided by the theory and empirical data (Bass, 1985; Waldman *et al.*, 2006) was not confirmed in this study. This might be explained by the predominance of the emotional dimensions over the intellectual / rational ones in explaining the adoption of CSR strategies, specifically in the Portuguese context.

Finally, the fourth dimension of individualized consideration through the "cascading effect", leaders are able to develop followers into effective transformational leaders when defining the organization's strategic plan in pursuing the common good of a community (Bass *et al.*, 1987; Bass and Steidlmeier, 1999; Bass and Avolio, 2008). Therefore, Hypothesis 1d posits that CEO individualized consideration and the firm strategic orientation to CSR have a positive relationship. This hypothesis was also supported by the empirical findings, providing evidence that in the participating firms, the so called "cascading effect" was really effective in promoting a CSR strategic orientation.

Objective 2

Following the dominant paradigm in CSR, which refers to the necessary alignment between a firm's strategy and social / ethical concerns, CEOs should regard ethic as a necessary ingredient to strategic analysis, instilling a moral purpose in their employees (Freeman, 1984; Jones, 1995; Jones and Wicks, 1999; Garriga and Melé, 2004). Based in this assumption, Hypothesis 2 was postulated as follows: CEO ethical integrity and the firm strategic orientation to CSR have a positive relationship. Despite all expectations, the findings obtained in this study didn't provide any empirical evidence and subsequently no support for this hypothesis.

This result was surprising and totally unexpected. Here, the organizational culture and the shared values might function as a moderator variable, requiring an additional assessment of the overall ethical integrity of the organization. Focusing merely on the CEO ethical integrity will provide us with just one side of the coin. In order to find the "cascading effect" of the moral purpose instilled by the CEO to his followers, a broader analysis of the organization's ethics is required.

6.3 THEORETICAL IMPLICATIONS

This study has contributed to the theoretical discussion about the importance of the leadership characteristics to the implementation of CSR strategies. First, analysing the full range of transformational leadership with its four dimensions has provided additional content for the debate on the most important characteristics that might impact CSR-oriented strategies.

Second, confirming the positive relation between transformational leadership and the firm strategic orientation to CSR, will provide additional arguments for researchers to

include this topic when pursuing studies focused in social responsibility strategies.

Finally, this study contributes with additional empirical work from the Portuguese context to this broader area of research in leadership and CSR.

6.4 MANAGERIAL IMPLICATIONS

The new paradigm of transformational leadership has been appointed as being the most effective for the firm's performance (Bass, 1985), hence the true challenge for CEOs and managers will be to develop themselves into authentic transformational leaders.

In addition, these transformational leaders will be able to incorporate the creation of social, economic and environmental as a strategic core value inside the organizations, following a philosophy of *triple bottom line*. This provides a holistic view of the organization, with the inclusion of its main stakeholders (workers, customers, suppliers, local communities and governments) as part of the strategic process.

6.5 LIMITATIONS OF THE STUDY

This study has several limitations. For instance, the lower response rate obtained from the 500 largest Portuguese companies has conditioned the sample size (N=50), which is regarded as a strong limitation for the statistical analysis conducted in this study. Therefore, all the main findings from this study are merely valid for the sample itself, not allowing for generalisation. Thus, this study should be considered rather as exploratory due to this strong limitation.

Second, focusing on the largest companies also has limited the scope of the study. A broader analysis would be recommended to have a more diversified reality in terms of leadership characteristics and also of CSR strategies.

Third, assessing the CEOs ethical integrity perceived by their direct reporting (first level managers) poses a problem in terms of ethical evaluation. The evaluators may be in a different stage of ethical development; hence they might see the CEO behaviour from a completely different ethical perspective.

Finally, in this study it was analyzed the ethical qualities of the leader; however no analyses was conducted regarding the organizational ethical values. These shared values inside the organization might be directly related with CSR.

6.6 FUTURE RESEARCH

In the previously mentioned literature there is a strong support for a link between CEO ethical integrity and transformational leadership. Despite the theoretical support for this relation, it was not explored in the present study as it would require a thoroughly analysis and probably a specific research study on its own. According with the findings presented in Chapter 5, we highly recommend researchers to explore this relation based also on empirical ground.

Moreover, we advise researchers to further investigate the relation between the firm's orientation to CSR and its market and financial performance, based on the evidence presented in Chapter 5. In light of the still existing inconsistency found in previous literature, where has been reported positive, negative and event neutral effects of CSR on financial performance, additional research will help to clarify this issue.

6.7 CONCLUSION

Theory has referred that transformational leadership enhances the development of strategies focused in the common interest of the community. This study has provided

evidence from the participating firms that CEOs with transformational leadership characteristics do engage in CSR strategies.

Furthermore, this study has identified the two most important characteristics of transformational leadership that impact on CSR strategies: inspirational motivation and individualized consideration, which was supported by the works of Bass *et al.* (1987), Bass and Steidlmeier (1999) and Bass and Avolio (2008).

CHAPTER 7 - REFERENCES

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APPENDICES

Appendix 1: First Letter for HR Managers

Direcção de Recursos Humanos
Empresa
Morada
Código Postal

Lisboa, 30 de Março de 2009

Assunto: Estudo sobre as Características de Liderança do *Chief Executive Officer* (CEO) e Orientação da Empresa para a Responsabilidade Social.

Exm.ºs. Senhores,

O ISEG está a realizar um estudo detalhado sobre a relação existente entre liderança e a orientação das empresas para a responsabilidade social. Este estudo tem por objectivo identificar as características mais significativas, a nível da liderança, que têm um impacto positivo nessa orientação estratégica da empresa.

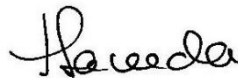
Este estudo é dirigido apenas às maiores empresas portuguesas, pelo que agradecemos antecipadamente a vossa colaboração. Muito brevemente, iremos enviar os questionários, a serem distribuídos pelos empregados da empresa, que tenham um contacto directo com o CEO da empresa, ou seja que estejam na primeira linha de chefia ou que, eventualmente, sejam seus pares na direcção.

As respostas são confidenciais e utilizadas apenas de forma sumária, sem qualquer possibilidade de relacionar as respostas individuais com os resultados obtidos. Quando recebermos o questionário preenchido, o nome da empresa será apagado da lista de endereços, e as respostas nunca serão relacionadas com a mesma.

Quando o estudo estiver concluído, teremos todo o gosto em enviar um sumário executivo com as principais conclusões e disponibilizamo-nos, desde já, para uma apresentação desses resultados.

Agradecendo toda a vossa colaboração, apresentamos os nossos melhores cumprimentos,

De V. Ex^{as}.
Atentamente



Teresa Correia de Lacerda
Mestrado de Marketing
Email: tlacerda@sapo.pt

C.C.
Prof. Doutor José Manuel Veríssimo
Departamento de Gestão
E-mail: Jose.Verissimo@iseg.utl.pt

Appendix 2: Second Letter for HR Managers

Direcção de Recursos Humanos
Empresa
Morada
Código Postal

Lisboa, 13 de Abril de 2009

Assunto: Estudo sobre as Características de Liderança do *Chief Executive Officer* (CEO) e Orientação da Empresa para a Responsabilidade Social.

Exm.ºs. Senhores,

Foram contactados no passado dia 30 de Março, no sentido de v/ informarmos sobre o estudo detalhado que o ISEG está a efectuar sobre a relação existente entre liderança e a responsabilidade social.

Deste modo, junto enviamos os questionários, a serem distribuídos pelos empregados da empresa, que tenham um contacto directo com o CEO da empresa, ou seja que estejam na primeira linha de chefia ou que, eventualmente, sejam seus pares na direcção, que estimamos demorem cerca de quinze minutos a serem preenchidos.

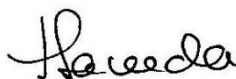
Agradecemos a centralização, recolha e devolução do maior número possível de questionários preenchidos, o mais tardar até ao dia 30 de Abril.

Como já tivemos oportunidade de referir, disponibilizamo-nos para enviar um sumário executivo, com as principais conclusões deste estudo.

Não hesitem em contactar-nos, no caso de terem qualquer dúvida ou necessitarem de esclarecimentos sobre este trabalho de investigação.

Agradecendo toda a vossa colaboração, apresentamos os nossos melhores cumprimentos,

De V. Ex.ªs.
Atentamente



Teresa Correia de Lacerda
Mestrado de Marketing

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Departamento de Gestão
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Appendix 3: Self-Completion Questionnaire

IMPACTO DAS DIMENSÕES DE LIDERANÇA TRANSFORMACIONAL NA IMPLEMENTAÇÃO DE ESTRATÉGIAS DE RESPONSABILIDADE SOCIAL NAS ORGANIZAÇÕES: ANÁLISE EMPÍRICA DAS MAIORES EMPRESAS PORTUGUESAS

QUESTIONÁRIO

Este questionário tem por objectivo recolher informação sobre as características de liderança do *Chief Executive Officer* e a orientação para a responsabilidade social nas organizações, junto das maiores empresas portuguesas.

As respostas são confidenciais e utilizadas apenas de forma sumária, sem qualquer possibilidade de relacionar as respostas individuais com os resultados obtidos. Quando recebermos o questionário preenchido, o nome da empresa será apagado da lista de endereços, e as respostas nunca serão relacionadas com a mesma.

Se, por alguma razão, não pretender responder ao questionário, por favor informe-nos devolvendo este questionário em branco no envelope em anexo.

Questionário 1- «M_2008» - «N_Question»

Instruções:

1. Preencher integralmente o questionário.
2. Colocar o questionário dentro do envelope, em anexo, e fechar.
3. Devolver à Direcção de Recursos Humanos que irá proceder à recolha de todos os questionários.

Muito Obrigado pela sua Participação!

A) CARACTERÍSTICAS DE LIDERANÇA DO CEO

Neste questionário entende-se por CEO (*Chief Executive Officer*) – a pessoa responsável por toda a gestão da empresa, podendo assumir as funções de Presidente do Conselho de Administração, Presidente da Comissão Executiva, Administrador Delegado ou Director Geral.

0.1. O CEO está em funções há quanto tempo: _____ (nº de anos)

0.2. O CEO é do sexo: ☐ (1) Masculino ☐ (2) Feminino

Para cada frase, relativa ao CEO da sua empresa, marque um **CÍRCULO** no número que melhor corresponde à sua opinião.

	Nunca				Sempre
1.1 Reexamina suposições críticas questionando se são apropriadas.	0	1	2	3	4
1.2 Fala sobre as suas crenças e valores mais importantes.	0	1	2	3	4
1.3 Procura alternativas diferentes ao solucionar problemas.	0	1	2	3	4
1.4 Fala de forma optimista sobre o futuro.	0	1	2	3	4
1.5 Gera orgulho nos outros por estarem associados a ele.	0	1	2	3	4
1.6 Fala com entusiasmo sobre o que precisa ser realizado.	0	1	2	3	4
1.7 Especifica a importância de se ter um forte sentido de missão.	0	1	2	3	4
1.8 Investe o seu tempo ensinando e treinando.	0	1	2	3	4
1.9 Vai além do seu interesse pessoal pelo bem do grupo.	0	1	2	3	4
1.10 Trata-me como indivíduo e não apenas como um membro do grupo.	0	1	2	3	4
1.11 Age de tal forma que consegue o meu respeito por ele.	0	1	2	3	4
1.12 Considera as consequências éticas e morais das decisões.	0	1	2	3	4
1.13 Mostra um sentido de poder e confiança.	0	1	2	3	4
1.14 Articula uma visão positiva e motivadora a respeito do futuro.	0	1	2	3	4
1.15 Considera cada indivíduo como tendo necessidades, capacidades e aspirações diferentes dos outros.	0	1	2	3	4
1.16 Leva-me a olhar para os problemas a partir de diferentes ângulos.	0	1	2	3	4
1.17 Ajuda-me a desenvolver os meus pontos fortes.	0	1	2	3	4
1.18 Sugere novas maneiras de completar as actividades.	0	1	2	3	4
1.19 Enfatiza a importância de se ter um sentido colectivo de missão.	0	1	2	3	4
1.20 Expressa confiança de que as metas serão alcançadas.	0	1	2	3	4

B) INTEGRIDADE DO CEO

Para cada frase, relativa ao CEO da sua empresa, marque um **CÍRCULO** no número que melhor corresponde à sua opinião.

	Nunca		Sempre	
2.1 Usa os meus erros para me atacar pessoalmente.	1	2	3	4
2.2 Consegue vingar-se sempre.	1	2	3	4
2.3 Faz favores especiais a certos empregados "leais", mas não a mim.	1	2	3	4
2.4 Pode mentir-me.	1	2	3	4
2.5 Pode colocar-me em risco para se proteger a si próprio em matéria de trabalho.	1	2	3	4
2.6 Instiga de forma deliberada o conflito entre empregados.	1	2	3	4
2.7 É diabólico.	1	2	3	4
2.8 Usa a minha avaliação de performance para me criticar pessoalmente.	1	2	3	4
2.9 Está contra mim.	1	2	3	4
2.10 Pode deixar que eu seja culpado pelos seus erros.	1	2	3	4
2.11 Pode falsificar registos se o ajudar na sua situação de trabalho.	1	2	3	4
2.12 Falta-lhe moralidade elevada.	1	2	3	4
2.13 Goza com os meus erros ao invés de me apoiar para fazer o meu trabalho da melhor forma.	1	2	3	4
2.14 Pode exagerar deliberadamente sobre os erros, para que eu pareça mal quando descreve a minha performance.	1	2	3	4
2.15 É vingativo.	1	2	3	4
2.16 Pode culpar-me pelos seus próprios erros.	1	2	3	4
2.17 Evita apoiar-me porque quer que eu falhe.	1	2	3	4
2.18 Pode tratar-me melhor se eu pertencesse a um grupo étnico diferente.	1	2	3	4
2.19 Pode distorcer deliberadamente o que eu digo.	1	2	3	4
2.20 Deliberadamente faz com que os empregados se zanguem uns com os outros.	1	2	3	4
2.21 É um hipócrita.	1	2	3	4
2.22 Pode limitar as minhas oportunidades de treino para evitar que eu evolua.	1	2	3	4
2.23 Pode chantagear um empregado, se pensar que pode levar a sua avante.	1	2	3	4
2.24 Aprecia rejeitar os meus pedidos.	1	2	3	4
2.25 Pode dificultar-me a vida se eu apanhar o seu lado mau.	1	2	3	4
2.26 Pode ficar com o crédito pelas minhas ideias.	1	2	3	4
2.27 Pode roubar a organização.	1	2	3	4
2.28 Pode colocar-me em risco para se vingar de outra pessoa.	1	2	3	4
2.29 Pode envolver-se em sabotagem contra a organização.	1	2	3	4
2.30 Pode despedir pessoas apenas porque não gosta delas, se pensar que pode levar a sua avante.	1	2	3	4
2.31 Pode fazer coisas que violem a política organizacional e espera que os seus subordinados o cubram.	1	2	3	4

C) ORIENTAÇÃO PARA RESPONSABILIDADE SOCIAL

Como classifica o progresso da empresa onde trabalha...

Para cada frase, marque um **CÍRCULO** no número que melhor corresponde à sua opinião.

	Nenhum					Excelente
3.1 Conformidade com a legislação	0	1	2	3	4	5
(A empresa é transparente em relação aos seus registos legais e reclamações, se está envolvida em acordos voluntários e está bem preparada para antecipar e procurar influenciar a legislação futura.)						
3.2 Sistemas de gestão ambiental	0	1	2	3	4	5
(A empresa dispõe de sistemas de gestão formal que sejam auditados e/ou avaliados, externamente, de acordo com a norma ISO 14001 e/ou standards EMAS (<i>eco-management audit scheme</i>), assim como a compreensão e maturidade do próprio sistema.)						
3.3 Melhoria da performance ambiental	0	1	2	3	4	5
(A empresa identificou os principais indicadores da performance ambiental e está a acompanhar essa melhoria, os objectivos e metas são robustos e é transparente quando não alcança os seus objectivos.)						
3.4 Relatórios ambientais e de sustentabilidade	0	1	2	3	4	5
(A empresa comunica de forma transparente a sua performance ambiental e sustentabilidade, os relatórios são auditados externamente, foram definidos os objectivos a serem reportados, o processo de <i>reporting</i> releva um nível de compreensão e maturidade e estes relatórios estão ligados ao relatório financeiro.)						
3.5 Diálogo com os principais parceiros	0	1	2	3	4	5
(A empresa está comprometida de forma genuína com a comunicação, em ambos os sentidos, com os seus parceiros principais nas questões de sustentabilidade, e o resultado deste diálogo influencia a estratégia futura da empresa.)						
3.6 Preocupação com a sustentabilidade dos produtos	0	1	2	3	4	5
(A empresa preocupa-se em desenvolver as questões de sustentabilidade, relativamente, aos seus produtos, nomeadamente, integrando essas questões ao longo de todo o processo de produção, dá ênfase às necessidades dos clientes e à quantidade de informação que é necessária disponibilizar aos clientes sobre a utilização e destruição desses produtos.)						

(A empresa preocupa-se com os aspectos ambientais, sociais e éticos dos seus fornecedores e toma em consideração os riscos da cadeia de fornecimento, nomeadamente, quando a avaliação dos riscos é feita em relação a toda a cadeia de fornecimento e qual o apoio dado pela empresa aos seus fornecedores.)

(A empresa está a tornar-se mais eficiente na gestão dos recursos (i.e. entrega mais valor aos seus clientes usando menos recursos e produzindo menor desperdício) e fundamentalmente está a desenvolver novas formas mais sustentáveis de satisfazer as necessidades dos seus clientes.)

(A empresa compreende a sua contribuição para a melhoria da qualidade de vida de todos, agora e nas gerações futuras e assegura que essa contribuição é progressiva.)

(A empresa está orientada para questões relacionadas com os empregados, incluindo a segurança e saúde no trabalho, igualdade de oportunidades, diversidade e desenvolvimento dos empregados.)

D) CARACTERIZAÇÃO DO INQUIRIDO

4.1 Idade: _____ (anos)

4.2 Sexo: ☐ (1) Masculino ☐ (2) Feminino

4.3 Habilitações Literárias

Escolha uma e só uma das opções:

- | | |
|----------------------------|--------------------------|
| Ensino Básico (1) | <input type="checkbox"/> |
| Ensino Secundário (2) | <input type="checkbox"/> |
| Formação profissional (3) | <input type="checkbox"/> |
| Bacharelato (4) | <input type="checkbox"/> |
| Licenciatura (5) | <input type="checkbox"/> |
| Pós-graduação/Mestrado (6) | <input type="checkbox"/> |
| Doutoramento (7) | <input type="checkbox"/> |

4.4 Antiguidade na Função

Escolha uma e só uma das opções:

- | | |
|---------------------|--------------------------|
| Menos de 1 ano (1) | <input type="checkbox"/> |
| 1 a 5 anos (2) | <input type="checkbox"/> |
| 6 a 10 anos (3) | <input type="checkbox"/> |
| 11 a 15 anos (4) | <input type="checkbox"/> |
| 16 a 20 anos (5) | <input type="checkbox"/> |
| 21 a 25 anos (6) | <input type="checkbox"/> |
| Mais de 25 anos (7) | <input type="checkbox"/> |

4.5 Função na Empresa

Escolha uma e só uma das opções:

- | | |
|---------------------------|--------------------------|
| Administrador (1) | <input type="checkbox"/> |
| Director Geral (2) | <input type="checkbox"/> |
| Director de Marketing (3) | <input type="checkbox"/> |
| Director Comercial (4) | <input type="checkbox"/> |
| Director Financeiro (5) | <input type="checkbox"/> |
| Director Informática (6) | <input type="checkbox"/> |
| Outra | _____ |

4.6 Nível Hierárquico na Empresa

Escolha uma e só uma das opções:

- | | |
|-----------------------|--------------------------|
| Administração (1) | <input type="checkbox"/> |
| Direcção 1º nível (2) | <input type="checkbox"/> |
| Outra (3) | _____ |

E) CARACTERIZAÇÃO DA EMPRESA

Como classifica a performance da empresa onde trabalha...

Para cada frase, marque um **CÍRCULO** no número que melhor corresponde à sua opinião.

	Pior		Igual		Melhor
5.1. Rentabilidade	1	2	3	4	5
5.2. Retorno do Investimento (ROI)	1	2	3	4	5
	Menor		Igual		Maior
5.3. Vendas	1	2	3	4	5
5.4. Quota de Mercado	1	2	3	4	5
5.5. Retenção de Clientes	1	2	3	4	5
	Mais Lento		Igual		Mais Rápido
5.6. Crescimento das Vendas	1	2	3	4	5

5.7. Número de Empregados

Escolha uma e só uma das opções:

- Mais de 2.000 (1) ☐
- 1.001 a 2.000 (2) ☐
- 251 a 1.000 (3) ☐
- Menos de 250 (4) ☐

5.8. Valor das Vendas

Escolha uma e só uma das opções:

- Superior a 250 milhões de Euros (1) ☐
- 151 a 250 milhões de Euros (2) ☐
- 51 a 150 milhões de Euros (3) ☐
- Inferior a 50 milhões de Euros (4) ☐

6. Se tiver mais algum comentário ou informação importante que não tenha sido abordada no questionário, agradecemos que utilize o espaço que se segue.

**Por favor verifique se respondeu a todas as questões.
Devolva o questionário no envelope, em anexo, entregando-o à sua
Direcção de Recursos Humanos.**

Muito Obrigado pela sua Participação!